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AGENDA ITEMS 12, 28, 29 AND 30

Report of the Economic and Social Council (chapters II, IV, V (sections II-V), VI (paragraph 489) and VIII (paragraphs 650 and 651)) (A/4820 and Corr.2, A/4911) (continued)

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(b) Improvement of the terms of trade between the industrial and the under-developed countries: report of the Economic and Social Council

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(a) Development of scientific and technical co-operation and exchange of experience: report of the Secretary-General (A/4904, E/3515);

(b) Main trends of inquiry in the natural sciences, dissemination of scientific knowledge and application of such knowledge for peaceful ends: report of the Economic and Social Council (A/4898)

GENERAL DEBATE (continued)

1. Mr. AZIZ (Federation of Malaya) said that his country, like all other under-developed primary producing countries, realized the need to diversify its economy and to attain industrialization as soon as possible. As Mr. de Seynes, the Under-Secretary for Economic and Social Affairs, had pointed out in his statement to the Committee (717th meeting), the terms of trade of the under-developed countries had deteriorated further in the past year owing to a new fall in the prices of raw materials. Although Malaya's export earnings had increased in 1960 despite the drop in rubber prices, the rise in national income had not been reflected in per caput income because of the rapid growth of the population during the year.

2. The year 1961 had marked the beginning of Malaya's second five-year plan, which, like the first, had as its basic objective the raising of the population's standard of living. However, three major problems complicated that task: Malaya's high rate of population growth, the excessive dependence of its economy on a single product, and the depressed

situation of the rural areas. Malaya's first five-year plan had of necessity given top priority to the rubber industry, agriculture in general, mining industries, the formulation of a sound policy of land utilization, the stimulation of industrial development and the construction of a new port, while secondary priority had been attached to the improvement of educational and health services. Although provision had been made under that plan for about \$1,150 million of public investment, the amount actually invested had been about \$972 million, largely as a result of the decrease in the demand for rubber and tin during 1957/1958, which was nevertheless nearly twice as much as during the preceding five years. In addition, the total output of goods and services during the period had increased by 20 per cent. Unfortunately, during the same period the population had grown by 16.5 per cent.

3. The aim of the second five-year plan was to consolidate and expand the programmes undertaken under the first plan, with special emphasis on rural development. In order to attain its objectives, which included widening the variety of Malaya's products and offering every reasonable encouragement to industrial expansion, his Government had planned for a level of investment of approximately \$5,000 million, including public investment amounting to \$2,150 million, or more than twice the amount of actual public investment for the preceding five-year period.

4. His Government firmly believed in private enterprise and it was therefore its policy to provide the most favourable conditions possible for such enterprise. It hoped to achieve that end by ensuring internal and external financial stability and by pursuing a policy designed to attract local and foreign capital to the establishment of new industries. Wherever possible, his Government endeavoured to reduce controls over the private sector to a minimum.

5. His Government strongly supported any move in the United Nations towards the stabilization of commodity prices and had therefore been glad to learn that the United States Government was willing to review its commodity policy and to join in examining commodity marketing arrangements item by item. It wished to reassure the various countries concerned that, in stabilizing the price of natural rubber, for example, the producing country fully realized that an unnaturally high valuation of its goods would encourage the production of synthetic substitutes. His delegation had also welcomed the emphasis placed by the United States representative on the existence of still untapped private resources for investment. While his Government has spared no effort to attract private investment to Malaya, it would welcome further suggestions regarding means to achieve that objective.

6. His delegation had also read with great satisfaction the recommendations of the Committee on a United Nations Capital Development Fund (E/3514, sect. IV), and hoped that the proposals would bear fruit. As the success of Malaya's five-year plan depended to a great extent on private investment, the possibility that the necessary investments would not be made could not be overlooked. It was in such cases that Malaya, like other developing countries, looked to the United Nations for help.

7. Mr. CHEN Chih-mai (China) noted that, as in previous years, Mr. de Seynes had given the Committee a comprehensive and penetrating report on

world economic development. In his statement, he had referred to the food shortages on mainland China which had caused the slowing down of industrial expansion. Compared with the general economic recovery and growth in the rest of the world, conditions on mainland China were deeply distressing, especially the collapse of agricultural production. Throughout the last decade food shortages and famine had become chronic and increasingly acute. Statistics released by the Chinese communist Ministry of Food showed a steady rise in devastated acreage from 12.5 million in 1950 to 100 million in 1959 and 148 million in 1960, the last figure representing almost 50 per cent of the cultivated area. The food ration had been cut time and again and refugees told of many diseases resulting from malnutrition. During 1961, the authorities had bought 6 million tons of grain and were reportedly making arrangements for more credit purchases. But it was obvious that the enormous deficit could not be made up by imports. A London publication had predicted that the death toll due to famine might amount to 25 million in 1961.

8. However, the expenditure of large sums on grain purchases had seriously affected the currency, which had dropped from an official rate of 2.4 yuan to the dollar in 1955 to 13.33 in August 1961. Meanwhile, prices had soared and the black market was flourishing.

9. It was absurd to blame the situation on bad weather or ill fortune. While it was true that, in 1960, natural calamities of unusual severity had struck many parts of mainland China, Hong Kong and Taiwan had been victims of the same weather pattern and had suffered crop losses of a little less than 8 per cent, whereas the losses sustained by mainland China had exceeded 30 per cent. The main cause of the disaster must be attributed to the incorrect economic policies pursued by the Chinese communist authorities. In their drive for power, the Chinese communists had gambled recklessly with China's resources. To make up for their meagre investment in agriculture, forestry and water conservation, which had amounted to only 8 per cent of total investment during the first five-year plan, the Chinese communist authorities had initiated a number of programmes which had not only failed to increase agricultural production but had disrupted the entire agricultural structure. The Chinese farmer had been deprived of all incentive to produce, while, in their efforts to boost agricultural production, the Chinese communists had resorted to all kinds of innovations which were scientifically unsound.

10. The Committee had recently heard the representative of the USSR making wild claims for the successes achieved in the economic development of the "countries of the world socialist commonwealth", including mainland China. Significantly, the Soviet representative had said nothing concerning the acute food shortages on mainland China and their disastrous effect upon its industrial development. Yet he had tried to persuade the Committee that the theories and practices of communism were the answer to the problem of economic development in the underdeveloped countries. The key problem facing those countries was how to finance their economic development programmes. In examining that problem, it was only prudent for the Committee to examine those proposed solutions which had failed conspicuously.

11. The World Economic Survey, 1960 (E/3501/Rev.1) contained an illuminating study of the question of financing economic development, and made recom-

mentations which deserved serious consideration. The economy of the under-developed countries was basically agricultural. The tragic experience of mainland China was a clear warning that, no matter how eagerly those countries wished to industrialize, they must avoid the temptation to exploit their agricultural workers for industrial capital. On the contrary, every effort should be made to supply those workers with incentives to increase production. Land reform remained the basic factor in the economic development of the under-developed countries. As a result of the land reform programme carried out in the province of Taiwan by his Government, Taiwan's agricultural output had expanded by 70 per cent in the past decade and its per caput productivity had become the second highest in Asia, while agricultural surpluses were available for export in large quantities. At the same time there had been a 160 per cent rise in its production of manufactured goods.

12. That situation was in marked contrast with the plight of mainland China. The land reform programme launched there in 1950 had been based on the communist theory of class war and had resulted not in increased production but in mass starvation.

13. The economic development of the under-developed countries was a challenge facing both the under-developed and the more developed countries, which could be successfully met only by a partnership between the two groups of countries. His delegation had therefore been happy to learn that the United States was prepared to join with the under-developed countries in their programme of economic development. It considered that the approach adopted by the United States was constructive and that the United States was genuine in its desire to face the challenge in a spirit of co-operation and helpfulness.

14. The under-developed countries could also extend aid to each other for economic development, particularly in technical matters. His Government, for example, had in recent years co-operated with a number of friendly nations in sharing technical knowledge and experience. If both the under-developed and the more developed countries co-operated effectively, the next ten years might well become the United Nations Decade of Development.

15. Mr. KANO (Nigeria) said that it was the task of the United Nations within the next few years to eliminate the highly dangerous division of the world's population into an opulent minority and a wretched majority, and to achieve a harmonization of the world pattern of economic activity with the new political order of almost universal political sovereignty and equality. Because his delegation regarded that task as an urgent duty, it had been gratified to hear the President of the United States proclaim, at the 1013th plenary meeting of the General Assembly, that the current decade should be regarded as a United Nations Decade of Development. Mr. de Seynes, in his statement to the Committee, had clearly depicted the grim situation confronting the under-developed countries from the point of view of the export earnings which often determined the volume of their investments for development. Like many other under-developed countries, Nigeria was faced with a situation in which imports continued to exceed exports. It had to export more and more to buy less and less. As the Commission on International Commodity Trade had stated in its report (E/3497), in 1960 the purchasing power of one unit of primary commodities in international

trade had been 15 per cent less, in terms of manufactured goods, than it had been in 1953 and about 24 per cent less than in 1950.

16. Two main problems were involved in the trade of the under-developed countries: firstly, the short-term fluctuations which had disastrous consequences for economic development programmes and projections; and, secondly, the long-term unfavourable terms of trade of the primary exporting countries. Those problems had been the subject of numerous studies. In an attempt to tackle the first problem, international agreements had been concluded for various mineral and agricultural commodities, and the techniques developed to offset fluctuations could be extended to many more items. Nigeria was encouraging the extension of that type of agreement to the principal commodities of West African trade, especially cocoa and palm products. Regional agreements might be useful, although the most effective arrangements would have to include all major producers and consumers.

17. In connexion with the suggestions for compensatory financing, care should be taken to ensure that any compensation paid did not prejudice the economic reorganization in the recipient countries which long-term stability would necessitate. The Nigerian Government hoped that specific plans would be prepared and the necessary institutions established. In addition, the industrial countries could take more effective steps to alleviate the difficulties of the primary producing countries, for example by reconsidering their policies of agricultural protectionism. A form of industrial protectionism also existed, under which the highly industrialized countries, where workers enjoyed high standards of living, refused to accept goods from a country where labour costs were lower.

18. On the other hand, compensatory financing would not help to solve the second, long-term problem. The possibilities of agricultural expansion were limited, and the only hope lay in the diversification of the economies of the under-developed countries and in the prospects for industrialization, which were limitless.

19. At its third session, the Economic Commission for Africa had discussed the effects of the European Common Market on African economies and had adopted resolution 31 (III), which expressed the views of the majority of the African countries in declaring that the economic development of Africa and its economic relations with other countries should be based on African continental and regional realities, with a view to establishing regional markets capable of supporting African industrialization (E/3452/Rev.1, p. 33). Since the Common Market constituted an area in which it was impossible to produce goods that could compete with the agricultural commodities from tropical countries, such as the African States, it seemed pointless to try to introduce artificial discrimination in the purchase of such goods from African countries. As had already been pointed out, the idea of offering special advantages to associated countries was based not upon sound economic reasons, but upon political considerations. It was interesting to note that three countries representing at least half the economic power of the Common Market, obtained 70 per cent of their coffee and bananas, 65 per cent of their cocoa, 50 per cent of their tropical timber and 95 per cent of their tobacco from non-associated African countries.

20. The political integration of African States with European metropolitan Powers was coming to an end and the future of Africa lay in greater economic unity. It was true that few goods as yet could be exchanged in intra-regional trade, but the elimination of artificial barriers would enhance the already bright prospects for beneficial industrialization in the West African region. Funds were being provided by the Common Market for investment in the economic development of associated countries—a fact which was to be welcomed. However, what was to prevent the same funds from being invested through bilateral or multilateral arrangements aimed at benefiting the recipient countries, but not conditional on participation in a particular trade grouping? The Nigerian Government would give the highest priority to the development of regional economic co-operation, and it considered that it was against the interests of African countries to maintain their unequal association with the Common Market, even if that body were to adopt a more liberal policy towards the non-associated countries.

21. His Government attached great importance to industrialization, which would enable agricultural products to fetch higher prices on overseas markets, thus bridging the gap between import expenditure and export earnings. In that connexion, the efforts of the under-developed countries themselves were most important. Those countries should create the necessary infra-structure, mobilize domestic savings, and create conditions that would attract private foreign capital. The next five-year plan of the Nigerian Government envisaged government investment of at least \$1,000 million in various types of infra-structure. Studies would also be made of such important sectors as iron and steel manufacture. The plan anticipated a sizable inflow of private capital, and to that end fiscal measures had been adopted to encourage the establishment of new industries.

22. The Economic Commission for Africa could help by collating information on resources, training requirements, priorities and such matters, on which realistic national and regional programmes could be based. The under-developed countries were doing a great deal to help themselves, but foreign aid was of crucial importance. It was true that the flow of aid had increased considerably and amounted to 0.8 per cent of the combined gross national products of the developed countries. However, as had been pointed out by the Under-Secretary for Economic and Social Affairs and others, the existing level of aid was appreciably lower than the 1 per cent minimum which the Committee had fixed the preceding year as the desirable target. It was encouraging to note that more countries were becoming aware of the urgency of the matter, and the United States representative had said that assistance to the under-developed world on a larger scale should not await disarmament. The donor countries were therefore urged to increase the volume of their assistance.

23. Unfortunately, some under-developed regions had not benefited from the increased flow of long-term capital and official donations. It was also regrettable that the Committee on a United Nations Capital Development Fund had been unable to fulfil its terms of reference contained in General Assembly resolution 1521 (XV). In view of the proclamation of the United Nations Decade of Development, a capital development fund should be established. It was also essential that international aid should not be subject to political and ideological considerations, and should

be aimed at ensuring that individual citizens of the recipient countries enjoyed the fruits of civilization and a suitable standard of living.

24. Social aspects were also involved in the problem of economic development. A balanced educational system should alleviate the frustrations inevitable in a rapidly changing social situation and it would be necessary rapidly to expand various social welfare services. The Nigerian Government attached great importance to co-operative and community development, for which there was a basis in traditional African organizations. Nigeria would not ignore the social problems resulting from urbanization and other forms of development, and would learn from the experience of other countries.

25. The question of racial discrimination in economic development raised a very serious issue. It was essential that the human resources of the entire population of any country should be mobilized to ensure rapid economic development, and a more equitable division of national income should be achieved by ensuring that all citizens participated equally and enjoyed equal economic opportunities. The people of Nigeria deplored the fact that the overwhelming majority of the citizens of the Republic of South Africa were not allowed to benefit from the economic advancement of their own country as they could if the policies of its Government were less iniquitous. A similar situation prevailed in the so-called Portuguese "provinces" of South Africa. The economic development of those countries could not be achieved rapidly if the gap between the income of the white population and that of the indigenous inhabitants was maintained.

26. The Nigerian delegation had been one of the sponsors of General Assembly resolution 1518 (XV) on the decentralization of the United Nations economic and social activities and strengthening of the regional economic commissions. It supported the views expressed by the representative of Ghana (722nd meeting), who had emphasized the need to strengthen ECA, and would participate in any projects to further that aim. Some existing operational activities could usefully be transferred to the regional commissions, for example the different aspects of technical assistance. It had been suggested that the Executive Secretaries of those commissions should attend meetings of TAB, and it was to be hoped that they would be able to contribute to the adoption of useful decisions. The ECA might create a planning institute, similar to those already proposed for Latin America and Asia and the Far East. Such an institute in Africa could train planning and other personnel to direct the economic development of the region. They should be trained so far as possible in close contact with the societies in which they would have to work. The institute could be situated at Addis Ababa or in the same place as one of the sub-regional offices which ECA had decided to establish. The Nigerian Government would provide the necessary facilities for a sub-regional office and a planning institute, should that be considered desirable. It hoped for the establishment of a strong industrial development division in ECA, since the possibilities of complementary industrialization in the West African region had not been sufficiently explored. The necessary staff should be made available to ECA, perhaps by transferring personnel from Headquarters.

27. Mr. HAJRO (Albania) said that one of the main tasks of the United Nations and particularly of the Economic and Social Council was to promote economic

co-operation between all countries. Unfortunately, the Council had not yet become a centre for such co-operation because the imperialist Powers had used that organ to further their own narrow interests and to oppose measures which would bring real economic benefits to all nations. Instead of dealing only with secondary matters, the Council should concentrate on such vital issues as the colonial system and the plundering of the under-developed countries by the colonialist Powers. Many former colonial countries had finally won their independence and were concentrating on their development and the consolidation of their political independence. It was the responsibility of the United Nations and its economic organs to assist them but they had failed thanks to the United States and other imperialist Powers.

28. The World Economic Survey, 1960 showed that economic instability persisted in the under-developed countries. Aggregate output in the capitalist countries had increased by 4 per cent in 1960 but there were serious imbalances in their economies too. The United States and other imperialist countries were intensifying the arms race but were unable to prevent the recurrence of the economic crises and unemployment inherent in the capitalist system. By following a policy of closed markets and trade discrimination against the socialist countries, the imperialist Powers were not only impeding the development of the under-developed countries but were also damaging their own economic relations.

29. Development in the socialist countries had been quite different. They had experienced no crises and no unemployment. Comprising one third of the world's population, they had accounted for 36 per cent of the world's output in 1960; by 1965 they planned to increase that proportion to more than half. The tempo of socialist development was unprecedented and enormous successes had been achieved in the People's Republic of Albania. Once a backward State, it was now an agrarian-industrial country and after the third five-year plan it would be a more industrial country. Albania had achieved a rapid increase in labour productivity and scored notable successes in agriculture. The basic aim of the Government in fulfilling the first and second five-year plans had been to increase the standard of well-being and culture of the people. Before the liberation of Albania, 80 per cent of its people had been illiterate. Since liberation, not only had illiteracy been wiped out but a university and other educational institutions had been founded. In 1961 Albania had 4.6 times as many university students as there were in all the high schools in 1938. New prospects were opened up by the third five-year plan. It would increase aggregate industrial production by 52 per cent and agricultural output by 72 per cent.

30. All possible measures both inside and outside the United Nations must be taken to eradicate the backwardness of the under-developed countries. The imperialist States must end trade discrimination, the arms race and their policy of closed markets and economic domination. The United Nations must encourage economic co-operation on the basis of equality and mutual benefit. Trade restrictions must be removed and raw material prices stabilized. Finally, the problem of general and complete disarmament must be solved for the vast sums thus released could be of great significance for the under-developed countries and many other countries besides.

31. Mr. AYARI (Tunisia) congratulated the representative of Guinea on the interesting statement which he had made at the previous meeting. While agreeing with the general principles which the Guinean representative had laid down for international and national economic action, he doubted whether the lessons drawn from Guinea's experience could be applied to all African States. Nor could he agree that Africa had to choose between capitalism and socialism. There were a number of solutions to the economic problems facing the African States and the best way of discussing and harmonizing them was through the United Nations.

32. An analysis of the monetary position of numerous African countries revealed that invisible transactions such as freight charges, insurance costs and net revenues from private investment had been a major factor in the continued deterioration of their balance of payments. Clearly, so long as transport companies, insurance firms and private foreign investors continued to have monopolistic effects on African national economies, long-term balance of payments stability could be achieved only through grants and public loans, whether bilateral or multilateral. The flow of private capital to those countries impoverished rather than enriched them.

33. Private foreign investment in Africa could only bring stability and growth if a number of conditions were fulfilled. Firstly, the African countries should establish their own transport and insurance enterprises either in the form of State-owned companies or private companies controlled by African nationals. Secondly, private foreign capital should be combined with domestic capital, as in Tunisia, and the formation of mixed companies should be encouraged. Thirdly, part of the profits of private foreign capital should be ploughed back. Fourthly, a system of international credit insurance should be set up on the lines described in the Secretary-General's report on the promotion of the international flow of private capital (E/3492 and Corr.1, chap. III). The balance of payments stability of the African countries would remain precarious so long as they had to rely on foreign public capital granted under international assistance programmes. They could improve their terms of trade and rid themselves of foreign monopolies only through their own efforts.

34. During the past two years, industrialization research within the United Nations had followed two trends: specialization within new institutions and co-ordination. The establishment of the Committee for Industrial Development and of the Industrial Development Centre would clarify those trends and would provide the basis for a fundamental reorganization of Secretariat action in that particular field.

35. The bodies responsible for formulating and executing industrialization programmes at the international, bilateral and national levels were extremely numerous and complex. The multiplication of studies, the diversity of approach, the overlapping of research areas and the scarcity of experts all led to duplication and waste. The Industrial Development Centre would reduce those difficulties and provide a forum for regular consultation and joint planning. The need for a dynamic and active Centre was generally recognized, particularly as a result of the recent session of the Inter-session Working Group of the Committee for Industrial Development. There were still administrative and financial questions to be solved and they would be dealt with in a report to be submitted to the

Committee for Industrial Development at its second session in March 1962.

36. Though it might seem otherwise, there was a close relationship between co-ordination and decentralization. Decentralization could be viewed as a simple transfer of financial and administrative power from Headquarters to the regional economic commissions or as part of a general policy of economic reorganization. The first type of decentralization might prove only partially effective if it were not accompanied by structural changes. The Secretary-General would seem to have been right in thinking that a simple transfer of power to the regional commissions would cause administrative complications. Such complications would be even more likely within the relatively inexperienced Economic Commission for Africa. At all costs, the structural framework of international development policy must be revised. Decentralization would become an integral part of that reorganization and not an autonomous and independent action.

37. Africa's needs were so great and its resources so limited that co-ordinated and fruitful action was imperative. Its economic institutions should therefore be effective but not falsely independent. It was essential to know where to decentralize and where to centralize. For that purpose, needs must be ascer-

tained and evaluated well in advance. In the general work of reorganization, the regional economic commissions would play an important role, but they should not claim the exclusive right of action in the field of economic development.

38. At the fifteenth session of the General Assembly, Tunisia had sponsored resolution 1518 (XV) on decentralization of the United Nations economic and social activities. It would support any new proposal in that connexion because it subscribed to the principles underlying decentralization. However, it viewed the question in the more general perspective of international action for economic development. In particular, Africans should concentrate on building up effective and co-ordinated action within their regional commission rather than demand additional institutions that had no real power.

39. Mr. PAKENDORF (South Africa) deplored the Nigerian representative's comments on South Africa. He had given a distorted picture that was not based on fact. One of the problems facing the South African Government was that of discouraging workers from illegally entering the country from the north. Those workers certainly did not share the views of the Nigerian representative.

The meeting rose at 5.30 p.m.