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**Chairman: Mr. Biasco LANZA D'AJETA (Italy).**

**AGENDA ITEMS 12, 28, 29 AND 30**

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(a) Strengthening and development of the world market and improvement of the trade conditions of the economically less developed countries: report of the Economic and Social Council (A/4885, E/3519, E/3520 and Add.1, E/3530);

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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. STRASSER (Austria) thought that the problem of world economic and social development was more complex and more difficult to solve than many political questions which, despite their appalling gravity, might be settled from one day to the next simply by the unanimous will of the leaders of the great Powers. In the matter of world economic development the political determination of Governments, although indispensable, was useless unless it was accompanied by an effective will to assist on the part of the industrial peoples of the world and a firm determination to build and renew on the part of the developing countries. It was only with the help of those thousands of millions of men and women that the obstacles could be surmounted.

2. The objective sought by the new States was industrialization, which was indispensable in order to free them from the evil effects of monoculture and prevent them from relapsing into new forms of dependence. The industrialization of the new countries was so difficult not only because it required the

contribution of capital and techniques but because it consisted in transplanting the methods peculiar to the last phase of Western civilization into heterogeneous societies which wanted to preserve their own particular character. That was why one should speak, not of under-developed or less developed countries, but rather of differently developed countries. The transplantation of industrialization, even if it involved no renunciation of each country's traditional values, was an extremely delicate operation because it implied a change in the behaviour, thought and customs of the population. There should therefore be simultaneous planning in the economic and the social fields. It would moreover, as Mr. Gunnar Myrdal had pointed out, be naive to believe that those countries, once industrialized, would evolve in the same direction as the countries which were already industrialized; from the outset, their situation was entirely different: for instance, the State generally assumed in them the functions which, in the early days of capitalism, had devolved on the "entrepreneur".

3. Furthermore, all the efforts and sums of money devoted during recent years to the assistance of the developing countries might be considered null and void if commodity prices were not stabilized. As Mr. André Philip had said during the thirty-second session of the Economic and Social Council, the fall in the price of raw materials during recent years had in itself cost the producing countries more than they had received from all the bilateral aid provided during the same period. It must be recognized that responsibility in that field lay mainly with the industrialized countries, which remained the largest consumers of raw materials. In that connexion one might wonder how far those countries' application of the free-trade principle to their foreign trade was justified while they themselves protected their own producers of primary products—in point of fact, their farmers—by a whole series of measures. The solutions proposed as remedies for the situation ranged from agreements concerning specific products (agreements on sugar, cocoa and other tropical products) to the world stockpiling of fourteen basic products and to the establishment of a development insurance fund. He appreciated the explanations given by IMF on that subject (see A/4820 and Corr.2, para. 171). The Consultative Assembly of the Council of Europe had for its part proposed the opening of negotiations within the framework of the Organization for Economic Co-operation and Development with a view to putting an end to the instability of the primary-materials market. The United Nations should take an active part in the matter, for the problem had to be solved by the international community as a whole; the success of all the other development measures depended on it.

4. In view of the vast number of organizations of every type, which resulted in overlapping and duplication of work, he welcomed the establishment by the Economic and Social Council of the Ad Hoc Committee of eight entrusted with the co-ordination of technical assistance activities. His delegation would support all proposals calculated to eliminate institutional rivalries and strengthen co-operation within the United Nations.

5. The representative of Indonesia had asked whether the developed countries of Europe shared the under-developed countries' feeling of urgency in face of the task to be accomplished. He would reply that, although such a feeling was daily gaining ground, many Europeans continued to see the world as determined

only by the various political systems and to overlook what went on in tropical regions. The United Nations Decade of Development must therefore be accompanied by an immense effort in the way of education. Austria, a new country in the sense that it had known sovereignty within its existing frontiers only for a few years, well understood, he was glad to say, the aspirations of the newly established countries. The Austrian Government was doing everything in its power to inform its citizens of those countries' needs. With that aim in view it had set up a commission on African questions, composed of distinguished persons from the most varied circles who, through constant contacts with African leaders, kept in touch with the evolution of Africa. Moreover, one third of all those at present studying in Austrian universities were students from overseas.

6. The American idea of the Peace Corps was, in his view, an excellent one. He also welcomed the Economic and Social Council's adoption of its resolution 849 (XXXII) on the use of volunteer workers in the operational programmes of the United Nations and related agencies designed to assist in the economic and social development of the less developed countries. Austria would most carefully study the possibility of placing volunteer technical workers at the disposal of the United Nations. He thought that the misgivings expressed by the Soviet representative at the 720th meeting about the Peace Corps were not justified, and hoped that the Soviet Union would not go so far as to criticize the actual idea of the use of volunteer workers by the United Nations, for those were no more likely to be used as instruments of the cold war than were well-paid technicians. On the contrary, he was certain that, if the United Nations appealed to the idealism of youth throughout the world, such an appeal would everywhere be received with enthusiasm. In that way, countless links could be forged between the world of the machine and the world of want. He refused to use the term "third world", which implied a permanent acceptance of the cold war between the other two worlds.

7. Admittedly, a small country like Austria could not devote such enormous funds to economic and technical assistance as could the United States, the Soviet Union and the United Kingdom. But the smaller industrial countries could render valuable services to the developing countries by advising them with regard to the training of their technicians and workmen. Austria's assets consisted in the competence of its specialized workers, the research conducted in its universities and its experience in the social field. It could offer new States the benefits of those advantages and thus help them to avoid repeating the mistakes which had been made when Europe was becoming industrialized.

8. He had read with admiration the Act for International Development recently passed by the United States. The world was clearly on the threshold of a Decade of Development, which might well be the first decade of a full century of development. Austria was completely prepared to take part in that new hundred years' war against want, in which the dictates of reason must be combined with those of ethics.

9. Mr. GUNASEKERA (Ceylon) stressed the importance of the questions under consideration by the Committee. He deplored the slow rate of the progress made with regard to those questions, some of which had been on the agenda for ten years. Poverty and

hunger raised an urgent and disturbing problem. Yet of the twenty resolutions adopted by the General Assembly at its fifteenth session on the reports of the Second Committee, only four were definite enough to lead to an immediate and practical outcome: resolutions 1515 (XV), 1521 (XV), 1522 (XV) and 1529 (XV) on action for compensatory financing, the United Nations capital development fund, the accelerated rate of assistance to under-developed countries, and the increase of contributions to the Special Fund.

10. With respect to resolution 1521 (XV), the Ceylonese delegation was very disappointed at the reluctance of the industrialized countries to make any commitments to the capital development fund. It was fortunate, however, that the Committee on a United Nations Capital Development Fund had put forward a draft resolution (E/3514, para. 81) and that a draft statute would follow. His delegation agreed with the Yugoslav representative in considering that the principles annexed to the draft resolution should be made more concrete so as to facilitate the immediate establishment of a United Nations capital development fund, which had also been urged by the Conference of Non-Aligned Countries held at Belgrade. It welcomed the proposal of the United States representative concerning the United Nations Decade of Development, and felt that the most fitting way of launching that idea would be to create the capital development fund and immediately put it into operation. With regard to the three other resolutions, the only visible action took the form of the extra \$50 million expected in the Special Fund. Even the 1 per cent minimum of capital transfers from the industrialized countries, which the General Assembly had deemed to be reasonable in 1960, had not been achieved.

11. That was a serious situation in view of the state of affairs in the under-developed countries, where marked increases in population, possibly accompanied by a deterioration in the terms of trade, could be expected during the next ten years. The Under-Secretary for Economic and Social Affairs had, in his statement (717th meeting), underlined the need for vigorous national and international measures in that field. For its part, the Government of Ceylon had taken national action to promote planning, to reduce consumption and to widen very drastically the area of taxation. But that was not enough; international action was also necessary. The capital development fund should be established immediately, the under-developed countries should be given some form of automatic access to reserves, and those countries should receive some kind of insurance against commodity price fluctuations. If those three steps were not taken forthwith, the United Nations Decade of Development might well become a decade of decadence.

12. Various institutions were dispensing aid either bilaterally or multilaterally, and in that connexion were applying policies of their own. But the need today was for a capital development fund—in other words, an international institution which, overriding any political prejudices, could attempt to lessen the gap in per caput income between the developed and the under-developed countries.

13. The report of the Committee of Experts entitled International Compensation for Fluctuations in Commodity Trade (E/3447) discussed, among other things, the role of the International Monetary Fund in compensating fluctuations. Several factors had contributed to the renewed attention now being paid to that

problem: the terms of trade of primary producer countries had deteriorated almost continuously during the past decade; there was awareness that the losses thus sustained by those countries exceeded the benefits accruing from aid; the stability of the European currencies and the improvement in their reserve position had relieved the Fund of one of its major preoccupations, and the primary producer countries felt that the time had come for the Fund to consider their problems more sympathetically; and finally, the present time, when the Fund was in process of reviewing its policies and procedures, was felt to be an opportune one in which to study the question of international compensatory efforts. It was regrettable that the Fund had taken a negative stand regarding the automatic provision of assistance for compensating commodity fluctuations. Although the group of experts had accepted that view, they had considered that it would be feasible to reduce the degree of uncertainty concerning a country's ability to count on the Fund in time of adverse export fluctuations, and that an enhancement of the Fund's compensatory role was desirable. The Ceylonese delegation supported that view and hoped that measures would be studied whereby members of the Fund would be enabled to draw, automatically, amounts in excess of 25 per cent of their quota.

14. The International Monetary Fund should go even further in that direction and revise its reasoning on assistance to the less developed countries in their balance of payments crises. The balance of payments deficits of those countries were caused mainly by fluctuations in commodity trade, domestic inflation, and difficulties in the working out and applying of their development programmes. It was clear that in future years the less developed countries would feel, to an ever greater extent, that their resources did not suffice to support a minimum rate of growth. In the absence of international assistance, they would attempt to reach their targets by inflation, which would be aggravated by the trend of decline in their terms of trade. In the past, the Fund had been concerned primarily with the eradication of inflation in the industrial countries. Its achievements in that respect had been substantial, and it should now turn its attention to economic conditions in the less developed countries and enlarge the scope of its assistance. The fact should not be forgotten that, as stated in the report of the group of experts, compensatory financing measures were closely linked to measures designed to contribute to long-term growth in under-developed areas.

15. The Government of Ceylon entirely favoured the establishment of an Asian institute of economic development, which would greatly assist the planning of economic development in the Asian region. It would also support the creation of the Industrial Development Centre, which could be of great value in helping to diversify the economy of the under-developed countries.

16. In conclusion, he stressed the urgent need for international assistance to the under-developed countries: only immediate action could save the situation.

17. Mr. GUERREIRO RAMOS (Brazil) said that some terms in current use had different connotations in different countries. For instance, the term "under-developed" had often been criticized. The expression "under-industrialized countries" had been proposed as an alternative, and was less ambiguous, since



no country could attain a high level of living without industrialization. So far as development was concerned, it was the social structure that prevailed within each country that determined whether it was developed or under-developed. Where that structure was not highly organized, the population was backward. The ancient Greeks were developed, though they knew nothing of the industrial resources of today. Under-development should not be taken to mean "lack of civilization". Civilization today had become universal. It was less a geographical than a social fact. In other ages, civilization had been geographically localized and bounded, but today it no longer knew geographical frontiers. Its frontiers were now political and social. In the social sense, "civilized people" and "barbarians" could be found everywhere. The term "under-industrialized" would thus appear preferable to the term "under-developed". Today the main handicap of small countries, and even of those of moderate size, was "under-industrialization", for without industrialization those countries could not attain material levels of living compatible with the general requirements of the modern age.

18. The term "industrialization" likewise required clarification. Assistance to developing countries in the form of equipment, capital and technical knowledge might become a new form of colonialism, or even a factor operating to retard economic development, unless it were adapted to the volume of the market, the nature of the resources, the priorities assigned to certain sectors, and other specific conditions in each country receiving such assistance. Similarly, unless the necessary precautions were taken, the provision of surplus foodstuffs might have detrimental effects on certain sectors of the economy of agricultural countries. Finally, while agrarian reform was also an economic and technical question, it was primarily a political question whose scope and nature depended on the social characteristics of each country. It was not an abstraction, but a concrete problem and the factors involved varied with the particular conditions and time.

19. He then went on to describe the economic development programme undertaken by Brazil between 1956 and 1960. While the execution of that programme, which had provided for the expansion of thirty different sectors of the economy, had occasionally given rise to difficulties, especially in the case of wheat, it had nevertheless resulted in substantial changes in the country's infra-structure. Thus, the federal highway system, which had consisted of 22,000 km. of roads in 1950 (including 2,381 km. of paved roads), had grown to 35,557 km. (including 8,100 km. of paved roads) by 1960. Similarly, there had only been a single plant producing trucks in 1955, which had had an output of 2,426 units, whereas eleven plants had turned out 321,150 units in the period 1957-1960. The Brazilian share in that industry, which in 1955 had accounted for only 54 per cent of output (in terms of weight) would be 99 or 100 per cent in 1961. The advances that had been registered in those two key sectors gave an idea of the accelerated changes that were taking place in the Brazilian economy as a whole. The rate of industrial expansion during the period 1956-1960 had been double that of the preceding five-year period. Since 1955, Japan had been the only capitalist country with a comparable rate of expansion. Furthermore, while the industrial production of the USSR had increased by 49 per cent between 1955 and 1959, the

industrial production of Brazil had increased by 97 per cent over the same period.

20. That progress, which had been possible only because the necessary preliminary conditions had been realized, had completely transformed Brazilian society, and, hence, its approach to national and international problems. Before 1930, Brazil had been predominantly an agricultural country, with 80 per cent of its population employed in the primary sector of production. The various regions had not formed a homogeneous national market, for want of adequate transportation facilities. The "people", in the political sense of the world, had not existed up to 1926, for only 3.5 per cent of the population had voted in the elections. The Brazilian economy, far from being self-supporting, had been entirely dependent on fluctuations in the export trade. The world-wide depression of 1930 had had catastrophic consequences. But Brazil had reacted by mobilizing its resources with a view to the extensive substitution of domestic for imported products. By the end of 1950, the production of consumer goods had almost been sufficient to meet the demand. Brazil had then attacked the major problems of heavy industry in order to bring the cornerstone of the economy entirely under Brazilian control.

21. Now rationally balanced, the economy was in the process of consolidation. A domestic market had come into being. The number of persons employed in industry and services, which had been only 4.8 million in 1940, was now probably as high as 11 million. That diversification had been both quantitative and qualitative, for the range of occupations had been greatly broadened. The agricultural population was also participating in the improvement of the economic system and was now becoming aware of social and political realities. The Brazilian masses had ceased to be a legal fiction, and had become a powerful catalytic agent in a society faced with the need to adapt its governmental institutions to a modern world. The masses were, indeed, now becoming the primary driving force. They were resolved henceforth to benefit from the results achieved in proportion to their efforts, and to control development through governmental authorities that faithfully represented their interests. Confronted by the high level of living in the privileged countries, the peoples of the under-industrialized regions had come to exert increasing pressure on their Governments and on international agencies with a view to the elimination of under-consumption in all its forms. They now realized that economic problems were ultimately also political problems, for their solution depended on government decisions which would be taken only if the leaders concerned were truly representative.

22. Going on to outline the principal economic problems that faced his country, like many others, at its present stage of development, he said that, in the first place, government financial standards and procedures were not adapted to the economic system as a whole. The information available on the economy of Brazil, as on that of other Latin American, Asian and African countries, was insufficiently detailed. In spite of the very useful work done by the regional economic commissions and, especially, by ECLA, much still remained to be accomplished to make the special features of under-industrialized economies better understood. Quite apart from other possible factors, that lack of knowledge sometimes accounted for the application by Governments of unrealistic

financial standards and practices. Thus, the methods used against inflation in an industrial country could not be used in a country where the whole population did not yet participate in the money economy. Without a better understanding of the structure of complex economies, in which the various sectors were at different phases of development, international financial co-operation would not always yield good results. To enable it to take more effective action in the industrial field, the United Nations and its regional organs should resume the studies on inflation in the under-industrialized countries and submit a comprehensive report on the question in 1962 or 1963. In any event, Brazil had learned from experience that monetary measures were not sufficient to combat inflation and that countries should seek remedies adapted to their particular economic structure. That fact would certainly influence Brazil's appraisal of programmes of international co-operation.

23. In the second place, there was an imbalance between the industrialized and the under-industrialized regions. Whereas the people in the south of Brazil had had a much higher income than the average in Latin America, the people of the north and north-east, who were living in poverty, were tired of waiting in vain for their misery to end. Thus, the industrialization of those regions was essential to the security of the Brazilian nation, if not of the whole of Latin America. The Brazilian Government, which had already spent large sums on those regions, considered that certain United Nations programmes of international co-operation might yield good results there provided that they were adapted to local needs. The basic rule would be that the use of manpower should in all cases be regarded as preferable to the use of capital. Indeed, that was the only way to secure the speedy elimination of under-employment and unemployment. In the regional programmes, a better understanding was needed of the role to be played by marginal enterprises as well as by small and medium-sized enterprises, whose resources were frequently under-utilized in the absence of the necessary measures with regard to taxation and credit. Moreover, the provision of food surpluses, either free of charge or on favourable terms, might in some cases be an effective means of assistance, provided it did not involve dumping or, worse still, the disorganization of local agricultural production, as had happened in the past.

24. Thirdly, there was an imbalance between the national and foreign sectors. Brazil, whose legislation on foreign capital was among the most liberal in the world, encouraged its influx where that was in its interests, but was aware of the need to provide greater protection for domestic enterprise, both public and private. Accordingly, it was planning to amend the legal provisions affecting foreign capital, particularly with respect to the conditions for its entry and withdrawal, the conditions for the export of profits and dividends and for reinvestment, the conditions in which foreign capital could compete with domestic capital, the relative priorities of the various sectors of the economy and the utilization of bank credit. In addition, Brazil, which did not yet have an official capital market, was considering ways of ensuring that domestic savings served the public interest more effectively. The technical agencies of the United Nations could be of incalculable assistance to the countries of Latin America, Asia and Africa if they made a thorough study of the legal position with

regard to royalties and patents, which were of great importance to the balance of payments of those countries.

25. In the fourth place, there was an imbalance between agriculture and industry and within each of those sectors. The annual rate of industrial expansion had far exceeded that of agriculture; as compared with 1949, the index of real income in 1958 had been 235.10 in industry as against 141.8 in agriculture. That imbalance was also reflected in discrepancies between the different regions which the Government was seeking to remedy; technical assistance from United Nations regional services could be of great help in that connexion. The same imbalance was to be found within the agricultural sector, where there was under-production for domestic consumption and over-production for export, so that the State was compelled to stockpile nearly 40 million bags of coffee for which the producers had already been paid in order to safeguard the interests of the latter that were still to some extent identical with the national interest. To reorganize the supply of agricultural commodities in order to bring it into line with demand was an enormous task owing to the many problems it raised in regard to credit, foreign exchange, taxation and institutions and, above all, at the political level.

26. The National Bank for Economic Development and the Development Council were engaged in a study of the similar imbalance which existed between the various sectors of industry. The time had come to abandon empirical methods and adopt systematic programmes. In order, for example, to counteract the under-utilization of the capacity of the engineering industry in São Paulo, which amounted to over 30 per cent, the Brazilian Government was planning a "Buy Brazilian" campaign. In fact, as a result of the overall development of industry, the country would soon be able to satisfy most of its needs, particularly with regard to electric power, oil refining and the petrochemicals industry, the paper and pulp industry, iron and steel, and cement.

27. Lastly, Brazilian production was not adapted to the world market because the country's traditional economic relations with the rest of the world no longer met its needs. The Brazilian economy and the new markets of the socialist, African and Asian countries were to some extent complementary, a fact of which, for various reasons, Brazil had not yet taken full advantage. On the other hand, increased trade with the nations of Latin America itself offered mutual advantages which had not yet been satisfactorily exploited despite a number of encouraging agreements. The Brazilian Government would support all long-term or short-term efforts by the United Nations to mitigate the effects of the unfavourable trend in the terms of trade on all the countries of Latin America, Asia and Africa.

28. He welcomed the fact that the United Nations was promoting economic planning by establishing regional planning institutes. The one for Latin America, in particular, should be in a position to receive and administer funds from sources other than the Latin American Governments and the Special Fund. The Brazilian delegation was glad to see that the Special Fund was to collaborate in that project, whose importance should not be underestimated.

29. Generally speaking, in tackling its current economic difficulties, Brazil was concerned less with

basic shortages than with the problems resulting from the need to distribute the available resources on a purely national basis, a process of rationalization which depended to a considerable degree on the internal political situation, but also on international co-operation. Brazil associated itself with all the countries of Latin America, Asia and Africa which were striving to eliminate the existing disparities in living standards. Indeed, for the first time in history, the idea of a true world economy had emerged, that is, of an economy that would benefit all mankind and not just a privileged group of nations. There was a practical, not a sentimental need for such an economy, because the problems of the large nations

could not be solved unless they were attacked at the world level. Only the elimination of economic provincialism would make it possible to end the under-utilization of scientific and technical knowledge, unemployment, under-employment of manpower and capital goods, and under-consumption by the people at large. The present task of the peoples was to eliminate the anachronisms which prevented them from exploiting all the opportunities of their time. It was the hope of succeeding in that task that sustained the United Nations.

The meeting rose at 1.5 p.m.