



CONTENTS

	<u>Page</u>
Agenda items 28 and 12:	
Economic development of under-developed countries (continued)	
Report of the Economic and Social Council (chapter I, section VI, chapters II, III, IV and V) (continued)	
General discussion (continued)	181

Chairman: Mr. Toru HAGIWARA (Japan).

AGENDA ITEMS 28 AND 12

- Economic development of under-developed countries
(continued)
- Report of the Economic and Social Council (chapter I,
section VI, chapters II, III, IV and V) (A/3848) (con-
tinued)

GENERAL DISCUSSION (continued)

1. Mr. Lychowski (Poland) said that, throughout the world today, there was an awareness of the wide disparity in economic and social conditions between the "rich" and the "poor" countries and of the discrepancy in the trend of economic development in those two groups of countries. It was natural, therefore, that a massive transfer of wealth from the more fortunate to the poorer countries should seem a necessary condition for a rapid economic advancement of the latter. However, though the question of the external financing of the economic development of those countries was extremely important, another aspect of the problem had to be considered, namely, the effect of such a transfer of wealth on the production of the less developed countries and the importance for their economic development of an increase in production. He was speaking about the non-socialist world only. Though both more developed and less developed countries existed in the socialist world, something was constantly being done about it, as was illustrated by Poland's own development.

2. The data published in Per Capita National Product of Fifty-five Countries: 1952-1954,^{1/} though rough, gave an idea of the enormous difference between the value of the production of goods and services in the developed and in the less developed parts of the capitalist world. The value of the net national product at factor cost of the seventy-odd countries and territories of the non-socialist world amounted, in 1953, to about \$670-680 thousand million, of which \$494 thousand million represented the value of the production of seventeen developed countries, while the share of almost sixty other countries and territories had been about \$185 thousand million. Actually, the \$300 thousand million net product of the United

^{1/} Statistical Papers, Series E, No. 4 (United Nations publication, Sales No.:1957.XVII.2).

States of America made the average value of production per head in the developed part of the world look higher than it really was. The figures showed clearly that, within the capitalist system, 73-74 per cent of the goods and services was produced by 500 million people, whereas 1,200-1,300 million people produced only 26-27 per cent. If, as a result of international action, the low production of the less developed countries were able to increase by, say, 5 per cent, the value of the increase would be a hundred times greater than the budget of the Special Fund just created by General Assembly resolution 1240 (XIII).

3. All that went to show, first, that the only way to achieve the economic, social and cultural advancement of the less developed countries of the non-socialist world was to increase their production per head, and, secondly, that the discrepancy between the value of that production in the developed and the less developed countries respectively was strikingly large. That extent of the discrepancy was due to the fact that the two categories of countries had a different rate of development. The figures published in the Commodity Survey, 1957 (E/CN.13/27),^{2/} showed that, while some sixteen developed countries had more than doubled their industrial production and very substantially increased their production of primary commodities in the previous twenty years, fifty under-developed countries had shown no substantial gain in industrial production and only a very moderate increase in the production of primary products, which had even declined in some cases. The slow and mixed progress in the production of the under-developed countries was undoubtedly the consequence of a lagging demand for primary products on the part of the highly developed countries, partly because of the expansion of primary production within those countries themselves and partly because of the development of the production of synthetics and the change in consumers' habits. Those were permanent, structural changes.

4. That state of affairs must naturally have had its effect on the trade and payments situation of both groups of countries. During the period 1950-1956, the under-developed countries of the capitalist world had been debtors to the extent of \$1.4 thousand million a year with respect to seventeen highly developed countries. That alarming situation had been "corrected" by the assistance which the highly developed countries found it absolutely indispensable to extend to them, in the face of the difficulty of increasing imports from those countries. Such a solution of the problem would mean that the economic development of the less developed countries would, for a long time to come, be financed entirely from outside; that capital exports to those countries, both

^{2/} United Nations publication, Sales No.:58.II.D.1.

private and governmental, would have to be very high; and that it would be several decades before the domestic savings of the under-developed countries were sufficient for their subsequent autonomous development.

5. If that solution were rejected—and he doubted whether it had much appeal even for the rich countries—then not only would assistance to the poorer countries have to be increased, among other things, for the needs of their infrastructure, but they would also have to be encouraged to build up new export production, the earnings from which would enable them to finance part of their infrastructure and finally to do without foreign assistance. In that connexion, recent trends in international trade seemed to show that the socialist countries would absorb a steadily increasing proportion of the under-developed countries' production.

6. In certain quarters, it was still believed that the free play of economic forces would automatically result in the economic development of the under-developed countries. It was obvious, however, that the link which, in the nineteenth century, had existed between the development of the industrialized countries and higher production in the less developed countries, was completely broken, and that the balance could not automatically be restored between those two groups of countries. What was needed, in order to bring about a change in the economic situation, was a programme of study and a programme of action. The problem of the economic development of the under-developed countries, which was discussed marginally by various international institutions, such as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (Bank) or the Contracting Parties to the General Agreement on Tariffs and Trade (GATT), should really be dealt with by the General Assembly, its Economic and Financial Committee and the Economic and Social Council. Unfortunately, the Second Committee and the Economic and Social Council had thus far been unequal to the task and had not even started to deal with the basic problems involved. No work had been done, for example, on possible methods for ensuring more effective consultation between Governments, with a view to promoting a balanced growth of world economy and, in particular, the acceleration of the economic development of the under-developed countries, as called for by resolution 654 E (XXIV) of the Economic and Social Council. The Second Committee should at least propose an over-all study of the whole problem of economic development which could serve as a starting-point for an international body of qualified experts able to propose specific international action to help the less developed part of the world emerge from its ever-increasing stagnation.

7. Mr. TEIXEIRA PINTO (Portugal) said that one of the main problems at the present time was the spread of economic movements, in particular the recession in the United States of America, which was reflected in changes in the volume of imports and exports, in the fall of prices on the great international basic commodity markets and in a weakening of the net surplus of exported United States capital.

8. The Economic and Social Council stated in its report that experience had demonstrated the effec-

tiveness of built-in stabilizers in combating recessions (A/3848, para. 72). In the case of the under-developed countries, however, those stabilizers could not be fully applied without condemning the countries concerned to remaining backward in relation to the rate of progress of the more developed countries. In certain cases, external financial assistance seemed to be the only effective remedy, and it was to be hoped that IMF could further expand its operations so as to increase international monetary liquidity.

9. In the present situation, international co-operation was more indispensable than ever. Leaving aside the United States of America, which could take part in a number of concerted measures for curbing the effects of the recession, the countries of western Europe ought to decide upon a genuine pooling of their resources and a co-ordination of their national policies of expansion. Pending the effective operation of the European Economic Community or the free trade area, the United Nations could, in the course of its regular study of the economic situation, carefully follow the trends of certain sensitive commodities, like cacao, coffee, bananas and tobacco.

10. The problem of fluctuations in primary commodity prices—which, in many cases, meant ephemeral prosperity at one moment and sudden impoverishment at another—could only be solved within a system of true world solidarity. The conclusion of inter-governmental agreements on particular products, or, better still, on groups of several products, should be encouraged, and the effectiveness of the existing multilateral agencies should be increased, particularly those listed in the annex to the Secretary-General's report on "Facilities and methods which now exist for the conduct and development of inter-governmental Economic Consultations" (E/3119).^{3/}

11. Portugal was directly interested in those problems, because it depended on foreign trade and strove to ensure the harmonious development of all Portuguese regions. It welcomed the creation of the Economic Commission for Africa, which would have to undertake a survey of the resources of Africa—a formidable task, but one which was necessary for the further study of the technical aspects of the development of that vast continent.

12. The under-developed countries should not adopt the various possible methods and solutions purely and simply, but should adapt them to the economic and social conditions prevailing in their part of the world. They should also speed up the training of technicians, engineers and national administrators, since experience had shown that foreign experts found it hard to adapt themselves to local conditions.

13. It had been maintained that national saving by the under-developed countries had been insufficient, and that external assistance was indispensable. But often the solution was not to save or to borrow more, but to invest existing savings wisely. Assistance from outside should supplement, not replace, self-help on a national scale. In any case, neither movements of capital, nor gifts, nor loans had hitherto been sufficient for all the needs of the under-developed countries. It was to be hoped that, one day, disarmament—or at least a reduction of expenditure on

^{3/} Official Records of the Economic and Social Council, Twenty-sixth Session, Annexes, agenda item 2.

armaments—would free resources that could be used for economic development.

14. Mr. THOMSON (Australia) said that the economic recession in the United States seemed virtually over and there was reason to hope that the economic activity in that country might take a significant upturn in 1959. Although more severe than other post-war recessions, the latest United States recession had not been as severe in its impact on the rest of the world as pre-war fluctuations, a fact which might be taken as evidence of the existence of stabilizing forces in the United States economy. While there had been some reduction in United States imports of primary commodities, total United States imports had not declined, and there had been no general loss of reserves by the rest of the world to the United States, although the distribution of reserves had changed to the disadvantage of those under-developed countries which did not export oil. The United States recession had, however, been an unfortunate setback for many countries, the more so, as it coincided with some decline in the economic activity in western Europe. One result of that was seen in a drop of 5 per cent in the prices of primary products over the last two years. At the same time, the prices of manufactured goods had risen by some 6 per cent.

15. The conclusions set forth in chapter I of the World Economic Survey, 1957 (E/3110 and Corr.1), dealing with inflation in the industrial countries, should be of assistance to the Governments of those countries in preparing their policies. The Survey suggested that, in the recent past, those countries had hardly taken into account the situation of other countries in determining their own economic policies, that those policies had not been designed to adapt the pattern of demand to the pattern of output and that no attempt had been made to devise a combination of fiscal and monetary policies which would restrain excessive demand for goods in short supply, while increasing demand for other goods. It was not impossible to find a combination of measures which would permit a high level of production and employment to be maintained without a perpetual advance in prices and would give due weight to the fact that exports of non-industrial or semi-industrialized countries were very sensitive to the internal policies of highly industrialized countries.

16. Chapter II of the Survey on inflation in the primary producing countries was also very useful; it emphasized the danger of deficit financing of development and the importance of expanding the production of foodstuffs. It was true that insufficient food supplies could be a cause of inflation, as the authors of the Survey had pointed out, but it should not be forgotten that imports of food could also constitute a very heavy drain on foreign exchange reserves. The Survey pointed out that a removal or lessening of the instability of export markets for primary products would lead to greater price stability in under-developed countries, although it would not in itself solve the central problem of the under-developed countries of securing additional resources to hasten the pace of economic development, while, at the same time, avoiding inflation; their efforts to that end would be helped if they were able to augment their domestic resources by drawing on a greater supply of foreign capital. The increase in the resources of the Bank, on the initiative of the United

States, was therefore to be welcomed, as was the prospect of an increase in international liquidity following the expansion of the resources of IMF.

17. On the whole, production and consumption had increased in 1957 in primary producing countries, although some Asian and Latin American countries had not followed the general trend. The situation in 1958 would probably be less favourable; in particular, it seemed unlikely that 1958 would show any real narrowing in the gap between production and consumption levels in the highly developed and under-developed countries. It was also a matter of concern that the non-industrial countries' share of world trade had continued to decrease in relation to that of the industrial countries. From 1928-1955, exports from industrial countries had increased by 62 per cent in volume, as compared with only 51 per cent in the case of non-industrial countries. Moreover, during the same period, the commodity composition of exports had profoundly changed: the volume of petroleum exports had risen by something like 600 per cent and of agricultural raw materials, tropical foodstuffs and minerals by 40 per cent, while exports of non-tropical foodstuffs had declined by 15 per cent. There had also been a significant variation in the increase of export prices, the prices of petroleum, tropical foodstuffs and minerals rising by more than 100 per cent, those of other products by 75 per cent only. A failure to reverse or alter those trends might have serious implications for the future of the under-developed countries.

18. During 1957-1958, the Australian economy had continued to make progress in industrial output, employment, investment and consumption. On the other hand, owing to drought and a fall in price of wool, meat and dairy products in the world market, the total value of exports had declined by 16 per cent and farm incomes had fallen by 33 per cent. The economy had been able to make progress despite that, thanks to the diversification already achieved, to the Government's careful monetary and budget policies and to support from private banks. Nevertheless, the situation caused the Government concern, because a further fall in export earnings seemed in prospect in 1958-1959. If export earnings remained low over the next few years, the income—and hence the spending—of primary producers would decline further, which could curtail activity in other economic sectors and might result in a great weakening of the forces of expansion and progress which had enabled Australia to strengthen and diversify its economy.

19. The decision of the United States to impose quotas on its lead and zinc imports would, failing any mitigating action, reduce Australian exports of lead to that country by 49 per cent in 1958-1959, as compared with the previous year, when lead had been Australia's principal dollar earner, the heavy customs duties imposed by the United States having reduced the importance of wool in that respect. The Australian delegation was therefore encouraged to read that President Eisenhower had said on 10 November at the annual meeting of the Colombo Plan Consultative Committee in Seattle that, where special difficulties might arise with respect to particular primary commodities, the United States was prepared to join in a discussion to see whether a solution

could be found. That was taken as evidence that the United States was endeavouring to discharge its responsibilities as a world economic Power, not the least of which was the need, at times, to curb domestic pressures in the wider interest. Australia was awaiting with keen attention the outcome of the United Nations Conference on Lead and Zinc now taking place at Geneva. Australia felt that there was in general a need to search for measures to stabilize earnings from commodity trade, not only because Australia itself was directly affected by international fluctuations in that trade, but also because it recognized the prime importance of that trade for many countries in an early stage of economic development.

20. The year 1958 had been marked by at least three important events, the first being the entry into force on 1 January of the Treaty establishing the European Economic Community. If it succeeded, the Community would be able to contribute notably to the prosperity of all those countries which had close relations with it. That could happen only, however, if the countries of the Community, during the difficult period of adaptation, continued to recognize the responsibilities which western Europe had towards the rest of the world because of its great economic power. If the Community should reinforce the protectionist trend in western Europe, primary producing countries, including particularly agricultural countries, might be hard hit. The link between the association of the overseas countries and territories and the Community, for instance, held an immediate danger of a reduction in the demand for tropical products. In common with many other countries, Australia wanted the European Community to operate in a "trade creating" and not a "trade diverting" manner, because diversion could have serious direct effects on countries exporting primary commodities to Europe. It would also have serious indirect effects through possible reactions on other regional arrangements, including the projected common market for Central America. Australia appreciated the understanding note struck in the final resolution of the Stresa Conference, held in 1958, about the importance that the countries of the Community attached to protecting the interests of third countries in agricultural production. The risk of unfortunate developments within the European Community could be greatly reduced if the countries of the Organization for European Economic Co-operation succeeded in establishing a free trade area, and Australia hoped that the efforts of the United Kingdom during the current negotiations would be successful.

21. A second important development had been the Commonwealth Trade and Economic Conference, held at Montreal from 15-26 September. The nations represented at the Conference had undertaken to cooperate in achieving more rapid economic progress in the under-developed countries of the Commonwealth and had already decided on certain practical measures to that end. With regard to international trade, the Commonwealth countries had noted the vital role of sterling, had agreed, subject to the provisions of international agreements, to remove, as soon as possible, the quantitative restrictions on products traded between them. They had also recognized the importance of not placing obstacles in the way of the export of manufactured goods from under-

developed countries of the Commonwealth, and agreed that Commonwealth Governments would give full weight to that consideration, whenever decisions were necessary concerning the terms of access of such goods to their markets. The last point was worth special note. Important as it was to give economic assistance to under-developed countries, it was no less important that developed countries, in giving that aid, should prepare themselves to accept the results of the development they were promoting, including particularly the expansion of industrial production in the under-developed countries. To establish more assured conditions for commodity trade, the Conference had called for the maintenance of a high and expanding demand in the industrial countries, for concerted action, where appropriate, to moderate excessive short-term fluctuations, and for measures to mitigate the adverse effects of protection afforded to basic agricultural commodities and minerals. The Commonwealth countries had said that they were willing to participate in an examination of the commodity situation, on a commodity-by-commodity basis, with a view to mastering short-term price fluctuations wherever necessary, consistent with a recognition of long-term trends in supply and demand. Lastly, the Commonwealth countries had emphasized that caution was required in the disposal of agricultural surpluses. The Australian delegation considered that the United States had tried to discharge the obligations it had assumed, on making disposals under Public Law 480, to consult traditional suppliers, but the United States' surpluses problem had unfortunately not yet shown signs of assuming manageable proportions.

22. The third event which merited special mention was the publication of a report prepared by a panel of experts, at the request of GATT, on Trends in International Trade,^{4/} which contained a critical analysis of various trade barriers and made suggestions for removing or lessening them. The proposals were particularly useful with regard to the problem of agricultural protectionism in the highly developed countries. Protectionist methods (subsidies, State trading operations and quantitative restrictions on imports), particularly if coupled with bilateral trading operations of a discriminative nature, resulted in a depression of prices for primary products and, hence, in a reduction of the mutually beneficial trade between primary producing and industrialized countries. According to the authors of the report, the highly developed countries of North America and western Europe could achieve much by merely making a slight change in the direction of their agricultural policy. Progress would certainly be slow, but it was essential that an effort should be made, not least because the effects of foreign aid and investment could be nullified if the trade and export earnings of the under-developed countries declined. The report also pointed out candidly that, if industrialized countries were to take measures to moderate their agricultural protectionism, primary producing countries might be required to consider whether or not their policies of industrial protectionism might not require some modification to promote the trade of industrial

^{4/} The Contracting Parties to the General Agreement on Tariffs and Trade, Trends in International Trade, Geneva, October 1958.

countries, especially those which had to rely on imports for the major part of their supplies of essential raw materials, paying for them with exports of manufactures. The Australian delegation attached greater importance than the authors of the report to commodity stabilization measures. In the Australian view, those might lead to greater predictability of export earnings. He therefore welcomed the re-constitution of the Commission on International Commodity Trade. He also welcomed the communiqué, issued after the Ministerial meeting, held early in the current GATT session, that the Ministers had considered the serious problems facing agricultural producers and had agreed that a solution to those

problems was fundamental to the expansion of international trade. Australia was pleased to note the statement of the United States representative at the GATT session that the United States was now prepared to participate in discussions of commodity problems on a case-by-case basis.

23. Australia hoped that the present debate would help in the creation of a climate of opinion in which great nations could take actions which might otherwise be difficult for them, and the mutual adjustments, which would be increasingly required in the present period of great economic and social change, could be facilitated.

The meeting rose at 1.15 p.m.