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Chairman: Mr. Marcial TAMAYO (Bolivia).

AGENDA ITEMS 30 AND 12

Economic development of under-developed countries (continued):

(a) Report by the Secretary-General on measures taken by the Governments of Member States to further the economic development of under-developed countries in accordance with General Assembly resolution 1316 (XIII);

(b) Progress in the field of financing the economic development of under-developed countries

Report of the Economic and Social Council (chapters II, III, IV and V) (continued)

(A/4143, A/4211, A/4220 and Corr.1 and Add.1 and 2, A/C.2/L.429, A/C.2/L.431 and Add.1, A/C.2/L.432, A/C.2/L.434-438, A/C.2/L.439 and Add.1, A/C.2/L.440 and Add.1, A/C.2/L.441)

GENERAL DISCUSSION (continued)

1. Mr. BENDAHOU (Morocco) said that the present situation in regard to the economic development of under-developed countries was not encouraging. Technological advances in industrialized countries, such as the utilization of new sources of energy and the

launching of missiles for the exploration of outer space, were regarded in under-developed countries as a monopoly of the rich, and, while new discoveries made the rich even richer, they did little to raise levels of living in the poorer countries. The difference between per caput incomes in the two categories of countries was further evidence of the fundamental inequality in the distribution of wealth. The economic recovery in the more developed countries during 1959 had been accompanied by a deterioration of the economic situation in the less favoured countries, since the vicious circle in which the under-developed economies revolved had not been broken. As a result of the sharp fall in primary commodity prices, imports of capital goods by the under-developed countries, which were paid for largely out of export earnings, had not been increasing at a satisfactory rate. The import capacity of under-developed countries had also been restricted by the industrialized countries' policy of agricultural protectionism and by the fact that international trade was still governed by the law of supply and demand. All those difficulties, coupled with rapid population growth, had frustrated development plans and prevented any appreciable rise in levels of living.

2. Of the possible solutions proposed, it seemed that stabilization of commodity prices was not likely to be achieved in the near future, while a diversification of the economies of under-developed countries, to render them independent of cyclical movements in primary commodity prices, was conditional upon a number of factors which did not yet exist. Diversification of a country's economy could not be achieved without essential changes in its productive structure, and, since those changes could not be financed by national savings alone, capital investment on a considerable scale was needed.

3. It was clear from the present discussion, and from the debates on the Special Fund and the Expanded Programme of Technical Assistance, that the most effective means of accelerating economic development in under-developed countries was by industrialization. But the United Nations had not yet taken any decisive steps in that field, not because of any lack of enthusiasm, but because resources available had been inadequate and efforts had been dissipated over a number of different projects. For that reason, his delegation supported the Brazilian representative's proposal to establish a functional commission for industrialization, and was co-sponsoring the relevant draft resolution (A/C.2/L.434). He hoped that delegations which had opposed the proposal or had tried to frustrate it by complicated procedural manoeuvres, would reconsider their attitude in view of the interest and the hopes it had aroused in the under-developed countries.

4. Economic diversification and industrialization were closely related, both in character and as to the financial investment they required. The flow of capital to under-developed countries, under bilateral as well as multilateral arrangements, had been extremely small,

and too frequently capital had been invested in isolated projects which yielded the largest and most rapid returns. If investments were to speed up the rate of development in under-developed countries, they should be adequate in volume and channelled towards suitable projects, and there was much the United Nations could do in ensuring that they were so. Neither the Special Fund nor the new International Development Association could be regarded as an adequate substitute for a United Nations capital development fund, and he hoped that the draft resolution calling on Member States to give further consideration to the establishment of such a fund (A/C.2/L.431 and Add.1) would command the widest support in the Committee. The establishment of the fund could not be long delayed, without causing serious economic and political disturbances throughout the world.

5. He agreed, on the other hand, that international assistance, on however large a scale it was provided, should merely supplement the efforts which the under-developed countries were making themselves. His own Government had done a great deal to ensure that Morocco's recently acquired political independence was based on solid economic and social foundations. That had been the underlying principle of the 1958-1959 two-year plan and the 1960-1964 five-year plan, whose principal objectives were an increase in agricultural production by reforming the traditional structure and the methods of agriculture, the development of industry and modernization of home industries, full employment of the available labour force in town and country and an improvement in social conditions through the development of education, health services and housing.

6. Preliminary results indicated that those objectives would be achieved. In agriculture, "Operation Tillage" had produced an appreciable increase in yields, and the introduction of the tractor had persuaded small holders to co-operate, with consequent reductions in costs. The newly established Irrigation Office expected to bring under cultivation a further 15,000-20,000 hectares annually.

7. With regard to industry, the solid infrastructure which already existed would provide a good foundation for new industries, including industries for the processing of national mineral resources. A special department responsible for the study of projects for satisfying consumer needs and exploiting the country's main raw materials was considering the possibility of developing the iron and steel industry, and a national iron and steel fund, based partly from a tax on exports of iron ore, had recently been created. The need for capital was great, and recent legislation offered investors considerable guarantees and advantages.

8. Efforts had been made, too, to establish his country's currency on an independent basis. Devaluation of the French franc in December 1958 had not been followed by any devaluation in Moroccan currency, and in July 1959 a national institute had been established to take over the right of issue previously exercised by the Banque d'Etat du Maroc, which was an affiliate of the Banque de Paris et des Pays-Bas.

9. The National Bank for Economic Development, founded in February 1959, offered long-term loans for industrial expansion, while the Foreign Trade Bank was financing exports and helping to find markets abroad. Finally, exchange control had helped to arrest the disastrous flight of funds abroad.

10. The year 1959 had seen the establishment of a Social Security Fund, 2 per cent of which was to be contributed by the workers themselves, 5 per cent by employers and the remainder by the State. The recent devaluation had been accompanied by rigid price fixing for essential goods and an appreciable increase in wages of workers in private undertakings.

11. The establishment of the Economic Commission for Africa, and the increase in appropriations for the Commission recommended by the Fifth Committee, indicated that the United Nations was taking an increased interest in African affairs. His delegation had urged that a larger measure of assistance should be given to Africa (487th and 599th meetings), not because his country wanted to receive more than other parts of the world, but because the peoples of Africa were at present attaining their independence and were facing all the problems which liberation involved.

12. Mr. BURGER (Union of South Africa) said that the Secretary-General's statement at the twenty-eighth session of the Economic and Social Council (1068th meeting) that no external or international policies, however enlightened, could substitute for adequate domestic policies in each country individually, reflected the very essence of the economic policy pursued by his Government over past decades.

13. His people believed in free enterprise and private initiative. As a matter of deliberate policy, his Government had retained ownership and control of a few enterprises such as railways, postal, telegraph and telephone systems, and the Land and Agricultural Bank. But, for the rest, the Government intervened only where private enterprise had been unable or unwilling to undertake schemes which were in the national interest. In addition to the information he had given at the 600th meeting, he said that, between April 1958 and March 1960, the railway administration would have spent nearly \$500 million on railway development and improvements. His Government had invested some \$100 million in the Iron and Steel Corporation, which in 1958 had produced two-thirds of the country's total steel requirements at \$42 per ton less than the landed cost of imported steel. The Industrial Development Corporation, which had been established in 1940 to grant assistance to industries on a repayment or recovery basis, had up to June 1958 accepted 257 applications for assistance involving over \$200 million, a fact which he regarded as particularly relevant in view of the ten-Power draft resolution on industrial development banks and corporations (A/C.2/L.438). Through the Corporation, about \$150 million, mostly Government funds, had been invested since 1950 in a gigantic installation, the largest of its kind in the world, to produce motor fuel, oil and numerous by-products from low-grade coal. The Electricity Supply Commission, operating on public loans, had had a loan capital of nearly \$600 million at the end of 1958, and was at present engaged on an expansion scheme involving about \$250 million. In 1956-1957 the parliamentary grant alone to the South African Council for Scientific and Industrial Research amounted to nearly \$450 million. The results of research undertaken were gladly shared with the other peoples of Africa South of the Sahara.

14. His country's gross national product had increased from \$2,700 million in 1948 to about \$6,300 million in 1958, an increase of \$3,600 million or 131 per cent in ten years. Over the years 1954-1957, gross domestic

savings had amounted to 23.7 per cent of the gross national product.

15. With regard to South Africa's role in the international sphere, he said that the fact that his country was still a substantial importer of capital was proof of its conviction that prosperity could not be sought in economic isolation. The fall in world commodity prices in 1958 had resulted in a decline of South Africa's export earnings by nearly 20 per cent. In the same year, net national income had increased by only 3 per cent, as against 7.7 per cent in the two preceding years. His country's foreign debt record was exemplary. It had always paid the full amount of principal, interest or amortization on the due dates.

16. Since 1948, import restrictions had been relaxed whenever the balance of payment situation allowed, and by the middle of 1957 they had been substantially eliminated. When gold and foreign exchange reserves had been under pressure in 1958, his Government had relied on monetary and fiscal measures, rather than tighter import controls, to remedy the situation.

17. As to foreign trade, South African imports had risen steadily from about \$1,200 million in 1953 to nearly \$1,600 million in 1957, an increase of about 33 1/3 per cent in five years. In the same period, exports, including gold, had increased by about 49 per cent from \$840 million to about \$1,250 million. While imports in 1958 had remained substantially at the high rate of 1957, exports had dropped by nearly 20 per cent, a serious loss for a young country with costly development programmes and insufficient capital resources of its own.

18. At the beginning of 1954 South Africa had ceased to distinguish between hard and soft currencies in its import control, and the South African pound had, for all practical purposes, been freely convertible for a number of years. It followed that his country warmly welcomed measures of trade and currency liberalization such as had recently been announced by several countries. It had willingly joined GATT in the belief that multilateralism was the best way to promote world trade, and still adhered to that belief despite the fact that its export trade, even with some of its GATT partners, had been injured as a result of bilateral agreements. Those remarks should be related particularly to part B of the three-Power draft resolution (A/C.2/L.429). That did not, however, mean that South Africa was unwilling to trade with the Communist countries, although matters were not facilitated by the different trading systems involved.

19. South Africa was taking an active part in the work of the GATT Committee II, on agricultural trade and protection, and was a member of the International Monetary Fund and the International Bank. It wholeheartedly endorsed the objectives of the International Development Association, though realizing that South Africa would probably not qualify for assistance from it and that his country had within its own borders large under-developed areas which would for many years require more capital than it could supply. As his country's Minister of Finance had said, the Union of South Africa was prepared to make its contribution to the achievement of the Association's goal, even though that entailed some sacrifice on its part. None the less, there was not enough capital to satisfy all the wants of all the under-developed countries. The establishment of the Association would not create new capital—at the most it would mean the redistribution of available capital. However, although the Association would

be an international fund within the framework of the United Nations, it must be borne in mind, in order to avoid disappointment, that it would not solve all the financial problems of the less developed countries, and, in general, that foreign aid could only supplement the individual and national effort of the countries helped.

20. Turning to the question of regional economic integration, he said that although regionalism *per se* was not a concept alien to the Charter or foreign to United Nations practice, his Government could not but view the European Economic Community and the proposed European free trade association with mixed feelings, since the participants in those two groupings were important markets for many of its export products and the prospects for maintaining and accelerating South Africa's economic growth were in large part dependent upon increased access to the markets of Europe for its main export products. If the developments now going forward restricted those opportunities, South Africa might in the end find it impossible to avoid the adoption of restrictive import policies which might harm its European friends no less than other countries.

21. His delegation agreed with the Secretary-General that economic stability and growth were not irreconcilable. However, while stability must not be equated with stagnation, his Government believed that no country should live beyond its means and was itself endeavouring to pursue a flexible monetary and financial policy adjustable to changing conditions in the country and abroad.

22. Although the world continued to face economic problems of the first magnitude, such as underdevelopment, commodity trade, protectionism and a more rational distribution of production, his delegation believed that most of those economic ills could be cured by sound national economic policies and enlightened international co-operation, and that the march of science and technology and the growing awareness of a shrinking world should inspire some confidence in a better future for all mankind.

23. Mr. MENDOZA LOPEZ (Bolivia) said it was a source of great satisfaction to the under-developed peoples that the world was recovering from the recent economic recession. The increasing stability of world trade was particularly encouraging, for economic dislocations such as those which took place in the under-developed countries as a result of trade instability were always a grave threat to peace.

24. His delegation welcomed the establishment of the Inter-American Development Bank and hoped that it would be followed by co-operation for the establishment of a United Nations capital development fund. It also supported the suggestion, noted in the report of the Economic and Social Council (A/4211), that commodity agreements should be supplemented by a system of automatic compensatory financing by an appropriate international body and that the Commission on International Commodity Trade and the International Monetary Fund ought to work out jointly an acceptable plan.

25. During the current year, the price of tin, which was his country's chief product, had remained healthily stable. Bolivia's growing economic stability had also been assisted by United States Point Four assistance, and, above all, by the accelerated progress of the land reform programme, which had put Bolivia on the road to self-sufficiency, and even led to export surpluses in a number of agricultural commodities.

26. After its national revolution, Bolivia had found it necessary to resort to inflation because of the lack of foreign exchange with which to finance its social and political transformation. The Government had taken measures to mitigate the effects of that inflation on the wage-earning and fixed-income groups. At the same time, however, the land reform programme had transformed the great majority of Bolivia's population from serfs into proprietors with greatly improved economic prospects. For that reason, his delegation considered it urgent that the Assembly should once again express its support of land reform, as it had in resolutions 625 A (VII) and 826 (IX).

27. Successful as the land reform programme had been, however, foreign assistance was still necessary for the modernization of Bolivian agriculture. In that connexion, he expressed his country's gratitude to the Scandinavian countries and Belgium, which were assisting it with a large-scale programme of rural education and mechanization.

28. In 1952, Bolivia had initiated a programme of monetary stabilization. Errors of monetary and economic policy had, however, led to a deflation, which had had the same unfortunate effects as the deflationary policies adopted in a number of European countries between 1929 and 1935. Because many of Bolivia's industries were primarily in need not of expansion but of intensified and more efficient operation, nationalization had been found necessary in some cases, although his Government did not desire such nationalization, but had, on the contrary, adopted a policy of respect for private capital. It nevertheless believed that such an economy of intensified operation must be guided by planning and subject to control in the social interests of the population. For the same reasons, his delegation believed that the United Nations should continue its efforts to work out plans for the future development of the world economy as a whole and supported the suggestions made by the Indian representative in that connexion (614th meeting).

29. Because Bolivia was itself an under-populated country, it viewed with concern the growth of world population unaccompanied by international planning for its rational distribution, and had therefore joined in sponsoring the draft resolution on world economic development (A/C.2/L.439 and Add.1).

30. Mr. BRILLANTES (Philippines) said that it was clear from the reports before the Committee that the economic development of the less developed countries could not take place in isolation: all countries, at all stages of development, were inevitably affected. It was also clear that although the factors entering into the situation remained the same, the problems of economic development varied with time. It was generally agreed that first help must go to the newly independent countries, and his delegation would give its support to any measure towards that end. That did not mean that the interests of countries like his own, which had reached a certain stage of development, should be sacrificed; on the contrary, he felt that assistance to them was of equal importance in bringing about a better balanced world economic situation. However, the assistance required by the countries which were in what might be called an intermediate stage of development was necessarily different in kind from that required by countries in the initial stages of development. The greatest need of the former was for adequate financing to permit more rapid development and to enable them to

avoid balance of payments and inflation problems. The Philippines was in a peculiarly difficult situation since it had not yet been able, despite war damage payments, to make good the ravages of the late world war. Its advancement had thus been held back. It was, therefore, particularly interested in United Nations agencies which were able to offer financial assistance. It was participating actively, both as donor and as recipient, in the Technical Assistance Programmes and the Special Fund, and was receiving assistance from the International Monetary Fund and the International Bank for Reconstruction and Development, as well as United States institutions such as the Export-Import Bank and the Development Loan Fund, and was grateful for all the financial help it had obtained.

31. Despite the existence of so many lending and financing organizations, his delegation felt that the supplies of capital available were far from adequate to meet the increasing demands of all the countries in the process of development. It applauded the establishment of the International Development Association, which would be able to provide assistance on more liberal terms than those now offered by the International Bank. It was a sponsor of the draft resolution on a United Nations capital development fund now before the Committee (A/C.2/L.431 and Add.1) and looked forward to the establishment of such a fund, which would provide an entirely different type of financing and one of which all the under-developed countries stood in need. He hoped that the highly developed countries would not be ungenerous when the time came. There was, of course, the danger in the proliferation of institutions that the available resources would be spread too thinly, while management and administrative expenses rose to disproportionate levels.

32. The thirty-three-Power draft resolution on a commission for industrial development (A/C.2/L.434), initiated by the Brazilian delegation, was of interest, but its implications should be carefully weighed. Industrialization was a very complicated matter and such a commission would be useless unless it numbered among its members experts with knowledge both of theory and of practice in all the specialized fields involved.

33. The regional economic commissions had done valuable work in studying the economic problems of the different regions and bringing about closer co-operation in solving them. The time had come, however, in his delegation's view, for the commissions to undertake studies for co-ordinated regional economic development. The exchange of primary commodities, manufactured goods and experience among the different countries of the region would be beneficial. Regional co-operation would contribute towards regional economic progress and stability.

34. The imminent demographic explosion necessitated a new approach to old problems. It was for that reason that his delegation was one of the sponsors of a draft resolution (A/C.2/L.439) calling for a global survey of resources and needs, methods and techniques, in the interests of world economic development. It was essential that, in order to reduce their dangerous dependence on the economic stability of the more highly developed countries, the less developed countries should mobilize and mechanize their agriculture, diversify their production, undertake the processing of their own raw materials and speed up their industrialization so that they could produce the capital goods they needed. All that would, of course, bring problems and

difficulties in its train. But, he submitted, they were not insuperable. The only question was what should be done to solve the problems and overcome the difficulties, and whether all that could be done had already been done. He thought not.

35. Mr. NIELSEN (Norway) considered that, like the political situation, the world economic situation had shown some improvement of late; the short-term outlook was certainly better than it had been the year before. He would warn against undue optimism, however, for, as the Secretary-General had pointed out during the twenty-eighth session of the Economic and Social Council (1068th meeting), the long-term prospects were less good. One of the problems was whether continuous economic growth was compatible with price stability. The debate so far appeared to indicate that speakers were reluctant to see the two economic objectives as mutually exclusive, but the facts showed that countries had not always been successful in achieving both at the same time. It appeared that a degree of compromise was necessary.

36. Economic policies could no longer be considered within the framework of national economies alone; all countries were now aware of the interdependence of their economies and should therefore avoid measures likely to have serious repercussions in other parts of the world, particularly the under-developed areas, which were peculiarly vulnerable to changes in the world economy. Countries participating in regional economic arrangements should make sure that they were not detrimental to outside countries. Norway's participation in the European free trade association would be based on the assumption that it would ultimately be possible to establish a system of free trade on a world-wide basis, and that that would benefit the under-developed countries. The basic problems of those countries, it was now agreed, could only be met by the diversification of their economies. Diversification could take many forms, but it was evident from the statements made in the Committee that the under-developed countries themselves considered industrialization to be the most effective answer to their problems. Interim solutions must also be found, however. The under-developed countries could ill afford the serious set-backs they had suffered in their economic development plans during the recent recession. The losses they had sustained at that time clearly showed the inadequacy of the measures taken so far to reduce price fluctuations. Norway was in a position fairly similar to that of the under-developed countries in that its economy depended to a large extent upon the export of comparatively few commodities and services. His Government would continue to support the conclusion of individual commodity agreements, although it did not see them as a permanent solution. As a short-term measure, they had their merits. Probably the best solution, both in the short and in the long term, was continuous high economic activity in the industrialized countries. The growth must, however, be steady and every effort must be made to avoid stagnating tendencies.

37. The last recession had again focused attention on the question of financing economic development. It had made it clear that adequate resources were still not forthcoming and that new efforts were absolutely essential. Nevertheless, there had been a greater flow of investment capital to the under-developed countries and the past year had seen the establishment of the Special Fund, the Inter-American Development Bank

and the International Development Association. The question of increasing international financial assistance had in the past been tied to that of securing savings in armaments expenditures. His delegation, like others, looked forward to the time when it would be possible to divert resources from defence to other more constructive purposes, but felt that until that time adequate resources should be sought in other directions. For example, increases in the national product of the industrialized countries could be devoted to assisting the under-developed countries.

38. Regarding the question of the institutional framework for the granting of financial assistance, his delegation subscribed to the joint draft resolutions on the International Development Association (A/C.2/L.440 and Add.1) and on a United Nations capital development fund (A/C.2/L.431 and Add.1). In supporting the latter draft resolution his delegation had wished to give expression to its support for certain principles which it considered important in the process of assisting under-developed nations. One was that the United Nations should play a greater part than previously in channelling economic and technical aid to those countries. The second was that participation in assistance programmes should be open to all Members of the United Nations and the specialized agencies. The third was that international economic assistance should be regarded as a co-operative effort in which the benefits did not all flow in one direction. His delegation had endeavoured to secure the adoption of the same principles with regard to the International Development Association. In that connexion, while he did not think that it would be appropriate for the United Nations to make recommendations concerning the internal structure and organization of the Association, he felt that it might well express itself on the subject of the relationship between the Association and the United Nations, and that some machinery should be established to allow of co-operation and consultation between the two organizations. A consultative body might perhaps be set up similar to the one attached to the Special Fund.

39. His delegation was glad to note the increased attention now being given to the work of the Economic and Social Council. It believed that the Council should be strengthened so that the United Nations might play as important a part in the economic sphere as it already played in the political sphere. To that end his delegation welcomed the Secretary-General's suggestion for the convening of brief ministerial meetings whenever the world economic situation in his view warranted it. Other proposals for extending the work of the United Nations in that sphere were welcome. He noted, for example, the suggestion originated by the Brazilian delegation for the setting up of an industrialization commission. He did, however, think that in that matter the Economic and Social Council should be allowed a free hand in making whatever new institutional arrangements it deemed appropriate.

AGENDA ITEM 31

Programmes of technical assistance (continued):

- (a) Report of the Economic and Social Council;
- (b) United Nations assistance in public administration: report of the Secretary-General

DRAFT REPORT OF THE SECOND COMMITTEE (A/C.2/L.433)

40. Mrs. WRIGHT (Denmark), Rapporteur, introduced the Committee's draft report on programmes

of technical assistance (A/C.2/L.433), pointing out certain slight amendments to be made in the text as it stood.

The draft report was adopted.

The meeting rose at 1 p.m.