



COMMITTEE ON INFORMATION FROM NON-SELF-GOVERNING TERRITORIES

Eleventh Session

SUMMARY RECORD OF THE TWO HUNDRED AND THIRTEENTH MEETING

Held at Headquarters, New York,
on Monday, 7 March 1960, at 10.55 a.m.

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PRESENT:

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| <u>Chairman:</u> | Mr. QUAISON-SACKEY | (Ghana) |
| <u>Rapporteur:</u> | Mr. BACON | (United States of America) |
| <u>Members:</u> | Mr. ORTIZ de ROZAS | Argentina |
| | Mr. CURTIS | Australia |
| | Mr. OLIVEIFA | Brazil |
| | Mr. KANAKARATNE | Ceylon |
| | Mr. DOISE | France |
| | Mr. DADZIE | Ghana |
| | Mr. MITRA | India |
| | Miss KAMAL | Iraq |
| | Mr. GOEDHART | Netherlands |
| | Mr. WATT) | New Zealand |
| | Mr. QUENTIN-BAXTER) | |
| | Mr. CASTON) | United Kingdom of Great Britain and Northern Ireland |
| | Mr. WILLIAMSON) | |
| | Mr. SPALDING | United States of America |

Representatives of specialized agencies:

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| | Mr. KHAN | International Labour Organisation |
| | Mr. ACHARYA | Food and Agriculture Organization |
| | Miss PROCTOR | United Nations Educational, Scientific and Cultural Organization |
| <u>Secretariat:</u> | Mr. KUNST | Secretary of the Committee |

ECONOMIC CONDITIONS IN NON-SELF-GOVERNING TERRITORIES (continued):

- (a) TRADE AND FINANCIAL RELATIONS OF NON-SELF-GOVERNING TERRITORIES (A/AC.35/L.317)
- (b) TERMS OF TRADE (A/AC.35/L.314)
- (c) MONEY AND CENTRAL BANKING (A/AC.35/L.315)
- (d) PARTICIPATION OF INDIGENOUS POPULATION IN THE PRODUCTION AND DISTRIBUTION OF GOODS (A/AC.35/L.318)
- (e) PRODUCTIVITY OF INDIGENOUS LABOUR (A/AC.35/L.316)

Mr. WILLIAMSON (United Kingdom) said that he would confine his present statement to sub-items (c), (d) and (e) of the item under discussion.

Turning first to sub-item (c), he said that while he had no fault to find with the description of the currency institutions in the United Kingdom Territories as given in document A/AC.35/L.315, he felt that in the analysis in part II of that document some of the facts were a little out of focus. After enumerating, in paragraph 72, the advantages deriving from the fact that currencies in the United Kingdom Territories were based on sterling and were freely convertible into it, the document referred to the "disadvantage" of the Currency Boards in those Territories not being allowed to issue currency notes against securities of the Governments of the Territories concerned, a situation which might make it necessary for the latter to raise foreign loans in order to cover local expenditure, even if the resources necessary to cover such expenditure were available locally. The report conceded, in paragraph 79, that most of the Currency Boards had been authorized to invest a stated proportion of their assets in securities issued by the Territories which they served. The position was, however, that as long ago as September 1954 the United Kingdom Government had taken the initiative in advising most territorial Governments that, in its view, the 100 per cent external cover for local currencies was no longer necessary and that, subject to a review of conditions in each Territory, a part of the currency backing might be in the form of locally issued securities. A number of Territories, including Sierra Leone, Kenya, Uganda, Zanzibar, Aden, Fiji, Cyprus and Jamaica, had accordingly invested a proportion of their currency fund backing in local securities. Nigeria, which had had its own Central Bank in operation as a currency issuing institution since 1959, had not yet done so.

(Mr. Williamson, United Kingdom)

With regard to the South-East Asian Territories, following a recent conference of representatives of the Governments of the United Kingdom, the Federation of Malaya, the State of Singapore, North Borneo, Sarawak and Brunei, a decision had been taken to continue, with certain modifications, the currency board system in that area and to provide for a fiduciary issue of roughly 30 per cent. It was interesting to note that only in 1960 had the Territories concerned decided to have recourse to that source of funds for local development.

The second main criticism made in the report was that the United Kingdom had perhaps been at fault in not providing more rapidly for the establishment of independent central banks, with currency issuing departments, as instruments of credit control and monetary policy. The report also said that the absence of local money markets prevented Governments from floating local loans or issuing treasury bills, although it admitted, in paragraph 79, that local capital markets had begun to develop in certain Territories. It was wise to proceed with some degree of caution with regard to the establishment of central banks, since they vitally affected external confidence in a Territory's currency. The establishment of a central bank was a major operation and the expense and complication would not, in the United Kingdom's view, be justified, at least at the present stage, in many of its Territories. Nevertheless, he was not aware of a single case of a local demand for a central bank having been refused. One had already been established in Nigeria, and steps were being taken to establish one the current year in Jamaica.

The statement in paragraph 78 that under the currency board system it was impossible for the territorial authorities to exercise any control over commercial banks was not quite correct, for territorial Governments were well able to persuade commercial banks to modify their lending policies and in any case they had the ultimate sanction of revoking the banking licence which was required in nearly all the Territories. He thought that the problem in many Territories was not so much one of unwillingness to extend credit as of a lack of suitable borrowers.

(Mr. Williamson,
United Kingdom)

With regard to sub-item (d), the question of the transition from subsistence to market agriculture, discussed in document A/AC.35/L.318, was one of the most important problems in under-developed areas. The prospects of raising levels of living in a country which had a large sector of its economy devoted to subsistence agriculture was very poor. A farmer engaged wholly in subsistence farming consumed all he produced and could neither save nor invest. Document A/AC.35/L.318 mentioned two ways in which the transition from subsistence farming to commercial agriculture was taking place: through the increased sales of agricultural products, either in export or internal markets, and through the growth in wage employment.

In the United Kingdom Territories of East and West Africa the proportion of national output represented by subsistence production had certainly fallen in the post-war period, as a result of the expansion of the cash sector, but whether that trend had been accompanied by a transition from subsistence to cash crops was difficult to say since very little was known about the subsistence sectors of the economies of the Territories. The statement in part II of the paper that the main stimulus in the future must come from the enlargement of the internal market, principally by industrialization, seemed to be a somewhat sweeping generalization. Although industrialization might be the only course open to over-populated countries, since labour could be withdrawn from its existing occupations without any reduction in the total product, in Territories like Uganda, for example, which were not over-populated and had no wide range of local raw materials, agriculture itself was the sector in which the maximum investment return was most likely to be found. As far as the role of the Government in assisting the transition to a cash economy was concerned, Governments could do and were doing much by improving communications and providing market facilities. He was doubtful, however, about the suggestion that Governments should take measures to promote price stability for farmers' commodities if by that was meant that Governments should guarantee minimum prices for produce sold in local markets: that was a somewhat debatable point. The most successful onslaught on the problem of raising productivity in peasant agriculture was likely to be one which made a concerted attack on all institutional obstacles to it, such as unsuitable systems of land tenure and the lack of credit, communications and education. Such a system

(Mr. Williamson, United Kingdom)

had been tried in Kenya, under the Swynnerton plan for land consolidation and agricultural development, and was producing such successful results as to amount to an agricultural revolution. It would be well to bear in mind how vital it was to grow more food in greater variety, for local consumption as well as for export, and to improve the level of nutrition generally.

With regard to sub-item (e), the Governments of the United Kingdom Territories were very conscious of the importance of the problem of productivity and the steps they were taking to solve it included the general diffusion of education among the peoples of the Territories, in particular in a good many Territories the provision of technical education and vocational training; the promotion of capital investment, including the encouragement of private investment by the provision of sound, honest government, combined with stable currencies and a respect for law and order; improvements in health, progress in social services; and the establishment of more modern systems of land tenure.

International studies of various aspects of the question had been or were being undertaken by the International Labour Organisation, the Commission for Technical Co-operation in Africa South of the Sahara and the Economic Commission for Africa. In order to deal with the problem of the lack of adequate statistical information, a conference of statisticians from various countries and Territories, convened by the E.C.A. at Addis Ababa in September 1959, had invited each participant to prepare a long-term programme of statistical development to meet the requirements of economic and social planning.

He welcomed the statement made by the representative of Ghana drawing attention to the adverse effects which the association arrangements made by the European Economic Community were expected to have on the trade of non-associated Territories, such as those for which his Government was responsible. His Government and the Governments of the United Kingdom Territories concerned attached the greatest importance to obtaining some mitigation of the adverse effects on the non-associated Territories, and countries, of the preferences granted to the associated overseas Territories in the Community's markets. The United Kingdom point of view on this matter had been made clear on many occasions in the past, most recently by the Minister of State for Foreign Affairs

(Mr. Williamson,
United Kingdom)

at the session of the Economic Commission for Africa at Tangier. He would not elaborate on the statement, since it was his Government's view that the best forum for the discussion of the subject was the General Agreement on Tariffs and Trade.

Mr. de OLIVEIRA (Brazil) said that before commenting on economic conditions in the Non-Self-Governing Territories he would like to assure the Committee that he was well aware that there were a number of exceptions to the generalizations which he must inevitably make if he was to cover the subject in a reasonably brief statement.

The document concerning the influence of terms of trade on the economy of Non-Self-Governing Territories (A/AC.35/L.314) showed that, despite the stabilization of the prices of some primary products which had resulted from international commodity agreements and the shift towards lower-priced export products or cheaper sources of supply, the gradual deterioration in the terms of trade had not been reversed and the Territories were unable to exercise any real influence on the prices of the major products which they exchanged with the rest of the world. His delegation was convinced that those difficulties were not fortuitous but were inherent in the structure of the economy of the Territories concerned.

The study on the balance of payments (A/AC.35/L.317) showed a similar pattern, despite the efforts made by the Administering Powers to mitigate the effect of deficits by means of grants. With regard to the study of money and central banking systems (A/AC.35/L.315), his delegation welcomed the views expressed by the Secretariat concerning the inadequacy of the currency boards system as a means of financing budgets and furthering economic development and the consequent desirability of establishing independent central banks to provide a means of mobilizing local monetary resources for development purposes applying a monetary policy designed to promote stable economic growth and reduce the impact of fluctuations in world prices on the local economy and exercising a degree of control over the activities of private banks.

(Mr. de Oliveira, Brazil)

The studies prepared by FAO (A/AC.35/L.318) and the ILO (A/AC.35/L.316) should be helpful to the Administering Powers in their efforts to raise levels of living and promote the well-being of the peoples inhabiting the Non-Self-Governing Territories. He would like in particular to draw attention to FAO's suggestion that the Administering Powers should facilitate the transition from a subsistence to a market economy by providing transport and marketing services and adopting policies which would guarantee stable and remunerative prices, as also to its observations concerning the effect of land tenure systems on incentives to produce marketable surpluses.

In conclusion he stated that, while his Government did not underestimate the efforts already made or the magnitude of the problems involved, it would like to emphasize the need to give priority to development plans and policies conducive to industrialization if the ever-widening and dangerous gap between income levels in industrialized and non-industrialized countries was to be bridged.

Mr. KANAKARATNE (Ceylon) said that his delegation had the impression that one of the most important aspects of the economic situation in the Non-Self-Governing Territories was the inability of those Territories to exert effective influence over the prices of their major exports. The statement in paragraph 41 of document A/AC.35/L.314 to the effect that all the Non-Self-Governing Territories combined did not possess for any major commodity a share of world production sufficiently high to enable them to influence the level of world prices was particularly significant in that connexion and warranted careful consideration not only by the Committee but also by the Economic and Social Council and the General Assembly. Paragraph 42 stated that owing to the low purchasing power of the indigenous inhabitants the bargaining power of the Territories was too limited to enable them to influence in their own favour the prices of the goods which they imported. If those statements were correct it should be asked to what extent the Administering Powers had sought to correct the situation. It would be pertinent to ascertain, for example, what steps the Administering Powers had taken to implement the various resolutions adopted by the Economic and Social Council and the General Assembly concerning the stabilization of prices of primary commodities through international agreements. The matter was one which had been

(Mr. Kanakarathne, Ceylon)

brought up in the Committee year after year by certain delegations but which the Administering Powers had not acted upon as satisfactorily as they had on others. Meanwhile the accelerating pace of events was making it ever more urgent that the problem should be dealt with effectively if the Non-Self-Governing Territories, which could be expected eventually to accede to independence, were to be spared the difficulties experienced by newly independent countries and by other under-developed countries throughout the world.

With regard to the Secretariat's report on money and central banking systems (A/AC.35/L.315), he observed that, while it was probably inevitable that the currencies of the Non-Self-Governing Territories should be linked to those of the Administering Powers and while that link gave the Territories certain advantages, he was concerned over the drawbacks which it entailed, as described in paragraph 94. It was significant that one of the first things which the newly independent Territories had done when they had assumed responsibility for the management of their own affairs was to establish their own central banking systems. He would therefore like to know why the United Kingdom representative had expressed the view that in certain Territories the establishment of central banking systems would not be justified.

Paragraph 5 of the ILO's report on productivity in Non-Self-Governing Territories (A/AC.35/L.316) showed to what extent progress in each of the functional fields was dependent on the progress achieved in the others. He recalled in that connexion his assertion in the general debate that it was unrealistic to draw sharp dividing lines between economic, social and educational advancement when discussing the progress achieved in the Non-Self-Governing Territories. In paragraph 16 the ILO offered a number of constructive suggestions concerning the areas of Government policy and action which were most important in promoting the attainment of higher productivity. Those set forth in sub-paragraph (c) were in accordance with the remarks his delegation had made concerning discrimination in employment in the general debate on the

(Mr. Kanakarathne, Ceylon)

progress report, while sub-paragraph (d) served to emphasize again the relationship of social to economic advancement. He would like in particular to know whether the Administering Powers agreed with the point made in sub-paragraph (g) that Governments should act to promote higher productivity through the establishment of national productivity and management development programmes.

He would reserve his comments on the association of Non-Self-Governing Territories with the European Economic Community until the Administering Powers had had an opportunity to express their views with regard to the effects that that association might be expected to have.

Mr. WILLIAMSON (United Kingdom) recalled that at the 210th meeting of the Committee he had made a general statement on the subject of terms of trade and that at the 212th meeting he had made a detailed and factual statement with reference to the Secretariat report on the influence of terms of trade on the economy of Non-Self-Governing Territories (A/AC.35/L.314) in which he had dealt with the various commodity agreements in force and with the participation of the United Kingdom Government in other commodity study groups. He had, indeed, specifically commented on paragraphs 41 and 42 of that document, from which the representative of Ceylon had quoted.

He also drew the Ceylonese representative's attention to what had been agreed on the subject of commodity price stabilization at the Commonwealth Trade and Economic Conference at Montreal in September 1958, as recorded in the report of that Conference.

On the subject of money and central banking, as he had said in his earlier statement, the establishment of a central bank was a major operation which in view of the expense and complication should not be embarked upon lightly in a community which had not reached a stage at which the introduction of such an institution would be not only justified but of practical value.

He had also pointed out that the issue of a local currency could affect external confidence. One of the major contributions the United Kingdom had made to

(Mr. Williamson,
United Kingdom)

the creditworthiness and standing of the Territories under its administration had been so to arrange matters that external investors had confidence in their currency. In that connexion he drew attention to paragraph 72 of document A/AC.35/L.315.

The United Kingdom Government had in recent years authorized the majority of the Non-Self-Governing Territories under its administration to invest part of the currency backing in local securities, though some had chosen not to do so, for reasons of their own. A central bank with a currency issuing department had been set up in Nigeria over a year before the date set for the attainment of independence by that Territory. The Administering Power had furnished the Nigerian Government with the best advice at its disposal and an experienced official from the Bank of England had, at the request of the Nigerian Government, become the first Director of the Bank of Nigeria. Similar action was being taken in the case of Jamaica.

Mr. MITRA (India) said that the objectives defined by the Committee in 1954 should be kept in mind when examining the economic conditions prevailing in the Non-Self-Governing Territories. Among the final objectives so defined had been "to work towards fully developed economies capable of taking their appropriate place in the world economy" and the Committee had also recognized that a basic objective was that the level of living of the people should be raised and their national output increased.

He entirely agreed with the remarks made by Mr. Williamson, of the United Kingdom delegation, at an earlier meeting that it was unrealistic to suppose that a three-year period had necessarily any particular significance in the development of a country. Nevertheless the Committee was bound by its terms of reference to examine economic and other conditions in the Non-Self-Governing Territories on a three-year basis.

The economic conditions of any country could be regarded either from the point of view of the progress made by the country or Territory itself, in either percentage or absolute terms, or from the point of view of the percentage progress made by the Territory or country in comparison with other countries of the world.

(Mr. Mitra, India)

A recent tabulation of under-developed areas by Mr. Paul Hoffman indicated that, with the exception of Cyprus, not a single Non-Self-Governing Territory had achieved a position where it might be considered to be "moving forward quite rapidly". That was, of course, also true of many independent countries, but presumably there were certain advantages in association with the metropolitan Powers.

The existence of the gap between the levels of the under-developed areas and those of the most developed countries was too well known to be dwelt on in detail. In the pamphlet to which he had already referred Mr. Hoffman pointed out that whereas the one and a quarter billion people in the less developed countries had gained only \$10 per person in ten years, per capita income in dollars of constant purchasing power had increased by over \$200 in the six countries in the European Economic Community. Elsewhere Mr. Hoffman stated that real per capita income had been rising at the rate of about 2 1/2 per cent in the industrialized countries during the 1950's and about 1 per cent in the less developed countries. That was an example of what was known as the widening gap.

Reference was often made in that connexion to industrialization.

Mr. Williamson had said that he hoped a tendency towards industrialization would not include any tendency towards economic isolationism. The Indian delegation entirely agreed with that sentiment. The United Kingdom representative had also said, however, that some of the most prosperous countries owed their prosperity to the development of highly efficient agricultural industries and he had appeared to imply that there was over-emphasis on industrialization. That was particularly interesting in view of the reference he had also made to the question of the stabilization of commodity prices in world markets. The document on which the United Nations Commission on International Commodity Trade had relied at its most recent session, the Commodity Survey, 1958 (E/CN.13/33), referring to the connexion between prices of commodities and the prices of manufactured goods, stated: "Moreover, as in the post-Korean period the price of manufactures in international trade has not moved parallel with that of primary commodities. Indeed, over the first three quarters of 1958 the price index of manufactures was about 1 per cent above the corresponding 1957 average. To the countries importing manufactured goods in exchange for the shipments of crude foodstuffs, raw material and fuel, the combined effect of these two price movements represents a notional

loss in import capacity equivalent to about one sixth of the official gold and foreign exchange holdings of these countries or to about six years' lending to them by the International Bank".

The reason why many delegations were so concerned about industrialization was precisely that in most of the Non-Self-Governing Territories the economies were still dependent on exports of primary commodities, whereas imports were necessarily of manufactured goods, whether for consumption or for economic development. According to paragraph 44 of the report on external trade (A/4162) the major characteristic of the structure of exports of most Non-Self-Governing Territories was the degree of concentration on one or a few primary products. Similarly, it was stated in paragraph 90 of the report on general economic developments (A/4166) that available data did not permit the conclusion that dependence of the economy of most Non-Self-Governing Territories on export of primary products had been reduced to a significant extent.

The reason was simply that, owing to the instability of the prices of primary commodities and the lack of adequate diversification of the economies, the prices of exports from the Non-Self-Governing Territories often went down whereas the prices of imported manufactured and consumer goods went up. Most of the imports of the Non-Self-Governing Territories came from the metropolitan countries, while most of their exports were destined for those countries; since the Non-Self-Governing Territories exported primary commodities and the metropolitan countries exported industrial goods the result was a reduction of the terms of trade of the Non-Self-Governing Territories. That fact was brought out in paragraphs 38 to 50 of the Secretariat report on the influence of terms of trade on the economy of Non-Self-Governing Territories (A/AC.35/L.314).

Paragraph 4 of document A/4109 described some of the difficulties in the way of industrialization, one of which was the inadequacy of basic transport services. The question of transport was also vital from the point of view of the improvement of agricultural conditions. The matter was referred to in paragraph 18 of the FAO report on the transition from subsistence to market agriculture (A/AC.35/L.318).

(Mr. Mitra, India)

The FAO report showed that the agriculture in most of the Non-Self-Governing Territories was predominantly subsistence agriculture. That was neither inevitable nor entirely due to lack of enterprise on the part of the indigenous population. In that connexion paragraph 48 of document A/AC.35/L.340 was of great importance. In the light of the facts even greater efforts were needed to assist in the diversification of the economy, including agriculture, of all the Non-Self-Governing Territories. At the 212th meeting Mr. Williamson, of the United Kingdom delegation, had referred to a rice scheme and a poultry scheme in Gambia, both of which had failed. He wondered whether assistance had been requested from FAO and, if so, whether any assistance had been given. The economy of Mauritius was almost wholly dependent on sugar; in India alcohol was refined from molasses and he would like to know something about the production of alcohol in Mauritius. He realized, of course, that diversification must take local factors into account and he did not suggest that no attempts had been made, but he felt that more could be done.

There appeared to be two primary ways of helping the Non-Self-Governing Territories to achieve a better level of living: by raising domestic production and by reducing the adverse terms of trade. One measure would be to conclude international agreements for stabilizing the prices of products but, as pointed out in paragraph 44 of document A/AC.35/L.314, the only international agreements so far in force were those for sugar and tin. Mr. Williamson had referred to other groups to which various countries belonged and had mentioned the United Kingdom Government's adherence to chapter VI of the Havana Charter. Many of the Administering Powers, however, were also bound by the resolutions of the Commission on International Commodity Trade, which at its seventh session had agreed to consider at its forthcoming session international measures designed to compensate for the fluctuation in foreign exchange receipts from the export of primary commodities. Another immediate measure would be the creation of international price stabilization funds and marketing boards. In that connexion, however, he drew attention to paragraph 32 of the Secretariat report on external trade (A/4162). The timing had perhaps been unfortunate but it was to be hoped that more funds might be obtained for the stabilization funds and marketing boards.

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It was often stated that it was difficult to progress more rapidly in the economic development of Non-Self-Governing Territories because they had such a low gross national production. According to paragraph 14 of the Secretariat report on balance of payments of Non-Self-Governing Territories with the respective metropolitan countries (A/AC.35/L.317), in 1957 in Territories under United Kingdom administration there had been an invisible transaction of £40 million for interests, profits and dividends as well as a payment of £50 million for transport and freight on imports. According to Mr. Williamson, the Colonial Development Corporation had contributed some £190 million since 1946 for investment in the Territories.

He made the point because if attempts were made to set up local banking and insurance facilities in the Territories concerned, a good deal of the money might remain there instead of going out in invisible transactions. Moreover, not only were the Non-Self-Governing Territories assisted by the metropolitan countries; in some ways they also assisted the metropolitan countries.

His delegation hoped to hear the views of some of the members of the European Economic Community on the effects of the Community on the economy of the Non-Self-Governing Territories. It was possible that certain Non-Self-Governing Territories which were not members of the Community and which exported to members of the Community would find themselves cut off from those export markets as a result of the coming into effect of the Treaty of Rome. That might create a problem of over-production of certain commodities. It was probably for those reasons that the Economic Commission for Africa had adopted its resolution 7 (II) and had requested its Executive Secretary to convene an ad hoc committee of representatives to study the matter.

It seemed desirable that the direction of trade of many of the Non-Self-Governing Territories should be more diversified. It was clear from document A/AC.35/L.317 that as far as African Territories under United Kingdom administration were concerned the greater part of their exports went to the United Kingdom and the greater part of their imports came from that country. In Nigeria, on the other hand, the picture had changed considerably. There was nothing intrinsically wrong in a metropolitan Territory being the major partner

(Mr. Mitra, India)

in trade with the Non-Self-Governing Territories under its administration, but excessive dependence on one market could not be advocated for any country.

Mr. Williamson had said at an earlier meeting that the Territories under United Kingdom administration were free to trade with any country they liked, with very minor restrictions. In fact, however, owing to the absence of banking facilities and the limited participation by indigenous people in trade and mercantile activities, the vast proportion of overseas trade was carried on by inhabitants of the metropolitan Territory or other non-indigenous inhabitants.

Mr. Williamson had asserted that the size of certain Territories would not permit of the setting up of central banks. The establishment of such banks was, however, highly desirable, particularly in the larger units, in order to assist in the creation of both a money market and a capital market. It was interesting to note that Nigeria and Jamaica, which were well on the way to independence, had already established such organs.

Lastly, he said that although his delegation felt greater efforts should be made to raise the level of living and to diversify the economies of the Non-Self-Governing Territories, it was aware of the efforts which had already been made by many Administering Powers to improve the economic conditions of the countries concerned. It was not, however, enough that those efforts had been made; they should be redoubled, since they were of vital importance in ensuring the peace and stability of the entire world.

The meeting rose at 12.50 p.m.