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**C O N T E N T S**

*Page*

Economic development of under-developed countries: report of the Economic and Social Council (A/1345, A/1359, A/C.2/L.36 and A/C.2/L.37) (continued) .....	53
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*Chairman: Mr. Gustavo GUTIÉRREZ (Cuba).*

**Economic development of under-developed countries: Report of the Economic and Social Council (A/1345, A/1359, A/C.2/L.36 and A/C.2/L.37) (continued).**

[Item 28]\*

1 Mr. KATZ-SUCHY (Poland) emphasized that a balanced world economy could not be achieved unless the colonial and semi-colonial exploitation of the under-developed countries were eliminated. The economic development of those countries had been discussed at length by the United Nations but the results so far achieved were insignificant and disappointing.

2. To ascertain the reasons for that regrettable state of affairs the guiding principles laid down in Annex I to Economic and Social Council resolution 222A (IX) must be analysed, and the work of the United Nations evaluated in the light of those principles, which should and must remain the basic guide of all United Nations activities in the field of technical assistance. Those principles made it completely clear that the primary objective of such activities was to strengthen the national economies of under-developed countries "with a view to promoting their economic and political independence in the spirit of the Charter of the United Nations and to ensure the attainment of high levels of economic and social welfare for the entire populations". The programmes adopted at the fourth session of the Assembly had been based on those principles, largely as a result of the many amendments submitted by the delegations of Poland, the Soviet Union and the Byelorussian SSR supported by the former colonial countries.

3. A vast amount of work had been done since then but, by separating the problems of technical assistance from the general problem of economic development and

by limiting studies and debates to the question of financing, the problem of furthering economic development had become one of extending the field for profit-making investments.

4. The documents before the Committee created the impression that except for financing, the major problems facing the under-developed countries had been solved. A study of those documents, however, revealed that even in the field of financing the conclusions reached were not valid or consistent with the guiding principles laid down in earlier resolutions.

5. The report of the Sub-Commission on Economic Development (E/CN.1/80) failed to make any specific recommendations with respect to foreign commercial policies, though it was obvious that no sound exchange policy was possible unless appropriate measures were adopted to safeguard the balance-of-payments position. The resolution which the Sub-Commission had proposed did not envisage any measures to safeguard the interests of the capital-importing countries; experience, however, had shown that such measures were essential to guarantee them against political and economic interference.

6. He agreed with the Sub-Commission that economic development could not be confined to any one specific sector of a country's economy and emphasized that it should be borne in mind that it was essential for the under-developed countries to diversify their economies; concentration on specific self-liquidating projects might result in increasing the dependence of the under-developed countries on the markets of the industrial countries and exposing their economies to the harmful effects of international price fluctuations; in the long run it would also lead to a decrease in the price of raw materials and foodstuffs and, consequently, to a deterioration in the terms of trade of the under-developed countries. The latest "Economic Survey of

\* Indicates the item number on the General Assembly agenda.

Latin America 1949" clearly showed that improved production of raw materials in the under-developed countries had been of greater benefit to the importing industrialized countries than to the exporting under-developed countries.

7. Since economic development and social progress influenced each other and had a common and direct bearing upon the productivity of labour and, hence, national income, it was impossible to draw a distinction between the financing of the so-called social overhead, namely educational, health and social welfare projects, and the financing of purely industrial projects, as the Sub-Commission had done. Neglecting the overhead investments would deprive the broad masses of the people in the countries concerned of the benefits of economic advancement.

8. He disagreed with the recommendations contained in the study on methods of financing economic development (A/1562). The entire emphasis was on methods for improving banking facilities and the organization of the monetary market in general. The study appeared to accept the theory that through proper monetary policies the governments of under-developed countries could influence the rate of interest and determine both the direction and volume of investments. That theory had never been successfully applied even in highly industrialized countries; its application in the under-developed countries might produce inflationary pressures. The study moreover failed to take into consideration the fact that the lack of savings for productive investments in the under-developed countries was mainly due to the uneven distribution of income. The study also underestimated the role of the State in the economy of under-developed countries. It was important that the governments of such countries should exercise direct control over the volume and direction of investment, foreign trade and the level of prices, wages and profits. That naturally demanded the existence of a strong central economic planning authority, allocation of resources and man-power and proper taxation and price policies.

9. Mr. Katz-Suchy did not want to underestimate the useful activities of the regional economic commissions and felt that the role of the commissions in economic development had not been sufficiently stressed. In his view, however, chapter II, section IV, of the Council's report<sup>1</sup> presented a gloomy picture, which became even darker as one read the proceedings of the last session of the commissions. With the exception of one of its resolutions, against which the United States had voted, the whole attention of the Economic Commission for Latin America was apparently focused on policies which, if developed, would encourage foreign control and foreign economic intervention in the Latin-American countries, thus leading to increased economic exploitation and even greater backwardness.

10. In the light of the studies so far published by the Commission, the basic prerequisites for economic development, such as agrarian reforms, government planning controls, nationalization of basic industries, fiscal and banking reforms, would appear to be irrelevant and

undesirable. That approach was largely dictated by the aim of developing or restoring profitable fields for foreign investments. It was also significant that colonial territories had been excluded from the scope of the Commission and that none of the metropolitan Powers had applied for associate membership on behalf of territories under their control.

11. The Economic and Social Council should receive from its regional commissions studies and recommendations relevant to the development of the regions with which they were concerned, but it often received accounts of activities which resembled reports from associations of private industries and that in turn had a harmful effect on the work of the Council itself.

12. The United Nations Technical Assistance Conference had concentrated too much on the question of financing, and too little on the internal financing and on the whole problem of development. It had failed to make any progress because it had believed that the solution of the problem depended on the amount of the anticipated American appropriation. It had worked on the old theory that under-developed countries offered possibilities for the expansion of foreign capital, the export of surplus capital and a market for consumer goods, and had considered the problem of development in terms of purely administrative measures.

13. As the Polish delegation had emphasized on many occasions, the "Point Four" programme was devised to find outlets for United States capital; aiding economic development was merely a disguise for its real objective which was to accelerate the export of private capital and to extend United States political domination. It was also clear that the United States preferred to associate that objective with action on the part of the United Nations, whose role would be to pave the way for American investments abroad.

14. An official of the United States Government had clearly explained his government's position on the question of technical assistance in an address which had subsequently been reprinted in the official State Department *Bulletin*. He had stated that "Point Four" was the long-range answer to communism. In order to turn the peoples of the under-developed countries away from the "false promises of communism", the United States Government must build special machinery to make the economies of the under-developed countries dependent upon the political tendencies which it represented.

15. The United States appropriation for the "Point Four" programme was relatively small, less than one tenth of one per cent of the thirty six thousand million dollar Omnibus Appropriation Bill signed by President Truman in September 1950, because the main role in the programme would be played by private capital and the government appropriation would merely serve as a first subsidy.

16. He was referring to the allocation of parts of the "Point Four" appropriation to the United States bilateral programme, the programme of the Organization of American States and to other special bodies. The United States Department of Commerce would receive a subsidy to provide information on private investment opportunities. The Export-Import Bank would play an important role in obtaining loans for profitable invest-

<sup>1</sup> See *Official Records of the General Assembly, Fifth Session, Supplement No. 3.*

ments. As a means of quickening the flow of United States capital abroad, the government had recommended that, as part of the "Point Four" programme the Export-Import Bank should be authorized to make guarantees against the "extraordinary risks" to which foreign investments might be subject. Such risks were of two kinds—first, expropriation without adequate compensation, and secondly, inability to convert investments and profits from other currencies back into dollars. Such action by the Export-Import Bank was part of the policy of intervention in the domestic affairs of foreign countries, particularly, economic legislation, to overcome certain restrictions imposed by various countries in the interests of their people.

17. United Nations activity to promote the development of backward countries was stifled by the United States Government, acting in its own interests. Mr. Truman had clearly expressed his government's intentions, when he had characterized "Point Four" as "a successor to the old colonialism idea of the seventeenth, eighteenth and nineteenth centuries".

18. It was clear from the declarations of United States politicians that nothing new was to be expected from the "Point Four" programme; it would merely continue to subjugate other countries to American business interests. Furthermore, Mr. Javits, a New York businessman, had demanded that the necessary guarantees be created for American investments. That meant that United States law must prevail wherever American capital was invested and that United States courts must be given extra-territorial jurisdiction over all such investments.

19. The United States would clearly like to use United Nations action in the development of under-developed countries to cloak its own imperialist intentions. That directly contradicted the provisions of the Charter, more particularly of Article 55, as well as various resolutions adopted by United Nations bodies.

20. Not only the development of under-developed countries but any progress in world economy could be accomplished only through the broadest possible co-operation between the largest number of countries. Despite mounting difficulties, his delegation firmly believed that such co-operation was possible. Technical assistance based on political considerations and intended to promote special interests could result only in another failure in international economic activities. If the programme of technical assistance was to be successful it must be based on the principles of the Charter and be directed towards the welfare of the backward countries in accordance with the resolutions which had been adopted. That development could not be promoted by administrative measures alone; a very careful analysis of the structural problems involved was necessary before deciding what national and international measures would be most effective to accelerate the economic development of certain countries.

21. The under-development of the countries in question was due to the contradiction between productive forces and industrial relations and to the lack of proportion between resources and output. That contradiction also existed in the industrialized capitalist countries as a direct result of the capitalist nature of their

economy. It was much sharper, however, in the under-developed countries which were characterized by the insufficient utilization of their productive forces and by industrial relations that were a mixture of feudal elements, early capitalism and monopoly capitalism which froze production into primitive and inefficient patterns.

22. In almost all under-developed countries which were still dominated by domestic and foreign capital, there was an unsolved agrarian problem due to the fact that most of the arable land was concentrated in the hands of a small group of big landlords who mercilessly exploited the millions of landless peasants, smallholders and rural proletarians. Any plan of economic development based on the real needs of the under-developed countries must have the solution of that fundamental problem as its primary objective. The Polish delegation had repeatedly stressed the necessity for agrarian reforms which would change the present systems of land ownership and distribution, introduce higher production and a greater utilization of farm machinery and fertilizers and thus lead to an increase in the *per capita* rate of agricultural production.

23. The patterns of production and trade in the economically backward countries were subordinated to the economic interests of the industrialized countries. The backward countries provided cheap foodstuffs and raw materials in exchange for finished goods; their production was limited to a few agricultural products and to the extraction of some mineral resources which were processed abroad. The degree of exploitation of cheap labour was much higher there than in the industrialized countries. The vast flow of profits to shareholders abroad and the fact that savings were limited to real estate and hoarded luxury goods prevented the creation of domestic markets and the formation of local capital and resulted in the lack of industrial incentives. Most of their national income was diverted from productive uses and sent abroad in the form of interest and profits. The industrial enterprises established in backward countries had to struggle against foreign competition and were frequently not fully exploited because favourable internal markets did not exist. Those factors were a basic cause of the low standard of living of the people.

24. Any sound programme to promote industrial developments must therefore provide for a complete redistribution of national income which would lead to a higher standard of living and the creation of internal markets. The financing of economic development in backward countries would be easier if the share of national income which now left the country to pay profits to foreign shareholders or in repayment of foreign debts remained within the country. Internal resources would then be ample to finance economic development.

25. The key problems of the under-developed countries could not be solved by foreign investments which did not raise the level of economic development but restricted new and struggling local industries which might compete with United States "big business"; he cited the textile industry in Cuba as an example.

26. In some countries, on the other hand, foreign intervention promoted the exploitation of certain resources to the exclusion of all others because those resources were badly needed by the exploiting Power;

in North Africa, for example, everything was being done to expedite the exploration and development of strategic minerals required by the United States.

27. Furthermore, the former colonial countries were still dominated by foreign corporations. In India, for example, British capital controlled 80 per cent of the jute mills and the gold mines were entirely owned by interests in the United Kingdom. New American-Indian and Anglo-Indian corporations had been created in which United States and United Kingdom interests naturally played the decisive role.

28. The representative of the United Kingdom had referred to his government's contributions to colonial development (119th meeting). Mr. Katz-Suchy quoted from an English publication, *Venture*, to show that that contribution was in fact very small compared to the number of people involved. The same publication stated that scarcely a single colonial was associated with any of the Colonial Development Corporation's schemes except as insignificant employees and concluded that the government's policy of economic development was well meaning, the product of a calculating mind, but certainly not of the heart.

29. Statistics on foreign capital returns testified to the harmful influence of foreign investment on the national economy of the under-developed countries. The export of financial capital to the backward countries increased the amount of their indebtedness. A large part of their exports, often more than 50 per cent of the value of all exported goods, went to pay the interest on foreign capital. The notoriously low standard of living in the backward countries was a direct consequence.

30. On the basis of the latest economic survey of Asia and the Far East prepared by the Economic Commission for Asia and the Far East, he noted that in an area where the soil was fertile the food supply per capita was still 3 per cent below the pre-war sub-standard level and that the future outlook was not promising. Industrial production was still appreciably below the pre-war level, partly due to the lack of industrial equipment. The serious and growing problem of industrial unemployment showed, however, that sufficient use was not being made even of existing equipment. It was obvious that under such circumstances the standard of living had been further lowered. The survey admitted that while money wages had risen, the cost of living had risen to such an extent that as a result real wages had declined. It was clear from the survey that the Far East had to rely entirely upon imports of industrial goods on unfavourable terms and that its foreign trade continued to deteriorate. That phenomenon could be found in every under-developed country. The general conclusion of the survey was that the role of Asia and the Far East in international economic relations was largely a passive one, influenced and controlled by foreign countries. The international balance sheet of countries in that region consisted of payments for manufactured goods, profits, interests, and amortization, shipping and banking and insurance services against receipts from sales of primary products and proceeds of capital interest. The report failed to add that one of the major factors which made that possible was the so-called multi-lateral system of international payments so highly advo-

cated by the spokesmen of the industrialized capitalist countries. A similar analysis could be made with respect to Latin America on the basis of the economic survey of Latin America. The conditions required to promote the economic development of the two regions were essentially the same.

31. He was submitting two draft resolutions (A/C.2/L.36 and A/C.2/L.37). Both drafts called for studies and reports on the basis of which sound conclusions could be reached as to future plans for development. Those studies must pay much greater attention to the experiences in the field of economic development of countries which had freed themselves from the yoke of capitalist exploitation.

32. Experience had shown that rapid economic development of under-developed areas was possible if the appropriate social and political conditions prevailed. He was referring to the immense progress achieved by the Soviet Union and the People's Democracies. One of the most striking examples of the rapid development of an under-developed area was the tremendous growth of the Asian regions of the USSR which demonstrated the crucial role of social structures in economic development. An American economist had noted that in the last decade electric power production of that area had increased by 850 per cent, industrial output by 950 per cent and literacy from 10 to 70 per cent of the population; he had concluded that it was quite possible that such a rate of increase in agriculture and industry combined had never been attained in any other region of equal size.

33. Poland and the other People's Democracies had proved that great progress could be achieved by the full use of existing resources and man-power in the interests of the population as a whole. His country had lost over one-third of its natural wealth as a result of the war, but in 1949 industrial production had reached the figure of 177 per cent of pre-war output. In 1955, that was to say in the last year of the Six-Year Plan, the value of Polish industrial output would be two and one-half times greater than that of 1949, agricultural production would increase 50 per cent above the 1949 level, thus making available more foodstuffs and raw material for industry. The growth of capital investment could be illustrated by the fact that *per capita* investment for 1955 was planned to be eight times higher than in 1938.

34. The People's Democracies had started on a new stage of their economic development, the industrialization of their economy and the modernization of their agriculture. The last two were closely interconnected. Progress in the People's Democracies had been financed by internal investments and by the important assistance rendered by the Soviet Union. That assistance took many forms such as loans and the exchange of improved technical processes and new inventions. None of those forms infringed on the sovereignty or independence of the People's Democracies.

35. In conclusion, he stated that real progress could be achieved only if conditions were created which would enable under-developed countries to advance politically, socially and economically at one and the same time. The under-developed countries were undergoing changes which made it impossible to maintain the previous *status*



quo. The penetration of capitalism was shattering the old social and economic structure and bringing forward new social forces which were the driving power behind the economic development of those countries. The imperialist countries and the reactionary cliques in the under-developed countries themselves were fighting those forces which they considered to be a threat to their domination. A basic reorientation in the economic development activities of the United Nations was necessary. Over a large part of the world the real prerequisites for economic development had been irrevocably established by the abolition of feudal, agrarian and capitalist relations. The United Nations could not support and extend capitalist exploitation of the under-developed countries without neglecting the principles of the Charter. It must strive to guarantee that credits or loans for economic development were free from political conditions imposed either directly by the government or by private investors. The present policy was not free from political aspects since it favoured only the capitalist and feudal elements in the under-developed countries. The latter must be free to determine their own destinies without outside interference or foreign political and economic domination. They must decide how to resolve the contradictions which characterized their internal and economic social structure and strive through appropriate social reforms to liberate those social forces which alone could provide the impetus for economic development. The promotion of such activities was the duty placed upon the United Nations by the Charter.

36. Mr. HUNEIDI (Syria) emphasized the importance of the problem of the economic development of under-developed countries and the duty of the United Nations—as laid down in the Charter and more particularly in Article 55—to promote such development. His country, for one, viewed the question of technical assistance with the utmost seriousness.

37. Three-quarters of the world's population was engaged in producing food and yet two-thirds of that population was seriously undernourished. Famine, disease and a high mortality rate were the rule in many parts of the globe.

38. Although there could be no lasting peace and security in the world as long as such conditions prevailed, nothing concrete had so far been achieved. Past experience had shown that no scheme could succeed unless the United Nations had the co-operation of all countries, both those which provided the help and those which received it. The provision of technical assistance should not be regarded as an act of charity on the part of the highly developed countries, for by promoting the development of backward countries they would also increase the demand of those countries for foreign exports and thus promote economic prosperity and full employment throughout the world.

39. Technical assistance, however, was not sufficient by itself. The supply of capital was a still more important factor, for if capital were not available, improved techniques could not result in increased production. Under-developed countries could not finance their economic development out of their sorely inadequate domestic resources. On the other hand, private foreign capital had to seek profit and could not be expected to

finance the long-term development programmes required by most under-developed countries. Furthermore, it should be remembered that past experience had led the peoples of many under-developed countries to identify foreign investments with foreign colonial rule.

20. In his opinion, the problem could be solved only by investments under international auspices. Such a method would allay the fears of under-developed countries that they might come under foreign domination, because it would guarantee their rights and safeguard their interests.

41. Mr. TROCLET (International Labour Organisation) emphasized that the question of technical assistance was not a new one for the International Labour Organisation. For a long time past, the ILO had been advising many governments on social legislation both by means of special missions and by making its vast technical documentation available to them.

42. Hence it had warmly welcomed the initiative taken by President Truman and the United Nations in the field of technical assistance. Acting through the intermediary of the Technical Assistance Board, the ILO was working in very close co-operation with the United Nations and the specialized agencies concerned and was anxious to play its part in that joint undertaking.

43. Most representatives had very rightly stressed the purely economic and financial aspects of technical assistance. Yet, at the same time, it was essential not to lose sight of the ultimate human objective, which was to improve the living conditions of the people in under-developed countries.

44. In countries with a low *per capita* income, such an improvement could be achieved only by an increase in productivity and by a more rational utilization of natural resources and man-power. It should be remembered, however, that too rapid a development of agriculture and industry in those countries might lead to serious social disturbances, as evidenced by the difficulties experienced in European countries during the first phase of their industrial revolution. Agricultural workers flocked to towns in search of industrial employment and lost all contact with the soil. They became more vulnerable to fluctuations in economic demand and had to be given assistance when unemployed. Another problem was that of industrial relations between employers and employees. If neglected, those problems led to social tension and thus ran counter to the very aim of technical assistance.

45. Thanks to the work of the ILO, most countries had adopted social legislation to remedy various abuses such as child labour or lack of compensation for injuries sustained in the course of employment. In many countries there had been a constant progress towards better social conditions, but it was still essential that the application of various legislative measures in that field should be supervised by special labour inspection services. In that connexion, he wished to mention the efforts made by the ILO during the previous two years to improve labour inspection in Asia.

46. His organization could give valuable aid within the framework of technical assistance by helping to increase productivity. First, a country in the process of development had to ensure the best possible utilization

of all its available man-power. Hence the need for efficient and adequate machinery to guide workers towards forms of employment that would be most profitable to themselves and to the country as a whole. Secondly, it should be remembered that the lack of skilled labour was one of the greatest handicaps to economic development. Hence the need for technical training. The ILO had always paid special attention to that problem and had devised new training methods whose effectiveness had been proved during the last war when it had become necessary to train large numbers of semi-skilled workers very rapidly.

47. The contribution of the ILO to the Technical Assistance Programme would consist in making available to governments, upon request, advisory services in the fields of employment, service organizations, vocational training and migration. It had, for example, already set up a field office at Bangalore to further technical training which was organizing training institutes in the organization and administration of national vocational training programmes, apprenticeship and vocational instructors. Training courses on the organization of supervisor training were planned in certain countries of Asia. A man-power field office had also been established at São Paulo to advise on measures to achieve the maximum utilization of national man-power and to facilitate immigration. The representatives of several Latin-American countries at the Preliminary Migration Conference had stated that they wished to obtain assistance in the preparation of such programmes, and close

collaboration had been established between his organization and the Economic Commission for Latin America.

48. He could not review all the types of technical assistance which might be provided by his organization and which had been described in the joint report on technical assistance issued by the United Nations and specialized agencies and in the comments thereon approved by the International Labour Conference in 1949 (E/1327/Add.2). He would mention only, as an example, such matters as the organization of employment services, vocational guidance, technical training, the selection and training of immigrant workers, the improvement of labour conditions, social legislation, wage policy and co-operatives, agricultural labour conditions, labour statistics, the improvement of industrial relations, industrial safety and health, social security, labour inspection.

49. Under its Constitution, the ILO was pledged to further among the nations of the world programmes which would achieve full employment and the raising of standards of living. It was at the disposal of all States taking part in the Expanded Programme of Technical Assistance for any help and advice it could give them.

50. The CHAIRMAN announced that at the request of the Colombian representative the time-limit for the submission of draft resolutions on the question under discussion would be extended to 12 o'clock on 19 October 1950.

The meeting rose at 5 p.m.