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President: Mr. Mohammad MIR KHAN (Pakistan).

Present:

The representatives of the following countries: Argentina, Brazil, Canada, China, Dominican Republic, Egypt, Finland, France, Greece, Indonesia, Mexico, Netherlands, Pakistan, Poland, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers from the following countries: Albania, Bulgaria, Chile, Czechoslovakia, Hungary, India, Israel, Japan, Philippines.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Civil Aviation Organization, World Health Organization.

AGENDA ITEM 5

Economic development of under-developed countries (E/2930, E/2950, E/2958) *(continued)*

GENERAL DEBATE *(concluded)*

1. Mr. DE FREITAS-VALLE (Brazil) said that international economic imbalance was the result of the low rate of domestic capital formation and the deterioration in the terms of trade of countries that produced and exported primary commodities. The lack of balance was aggravated by the uneven increase of productivity in the world.

2. The flow of foreign capital, both public and private, into Brazil had not been adequate, and in 1956 the country's rate of demographic growth had begun to outstrip the increase in national income. The Brazilian Government was, however, making an effort to counteract the trend towards impoverishment by the implementation of investment programmes in key sectors of the economy such as transportation, electric power, agriculture, ports and waterways. It was not enough however to ensure that the increase in *per caput* income should keep pace with population growth; steps must also be taken to increase national income so that the economic structure was better balanced. That was the ultimate goal to which all under-developed countries should aspire as a means of correcting the imbalance of the world economy.

3. The obstacles to the attainment of world economic stability were, first, the low capital flow to countries

lacking financial resources and secondly, the fluctuations in price of primary commodities sold by the under-developed countries to the industrialized countries. The Economic and Social Council was engaged in important research in connexion with the second of the two problems, but little progress had been made and the dislocation of international trade would compel it to take more urgent action.

4. The situation with respect to capital movements was not at all satisfactory. So far as the proposed Special United Nations Fund for Economic Development (SUNFED) was concerned, Brazil, like other under-developed countries, had experienced one disappointment after another. The loans granted by the International Bank for Reconstruction and Development had also been inadequate; the Bank's operational methods lacked flexibility and did not assure the under-developed countries of a steady flow of capital for their basic investments. The Bank should try, using better banking techniques, to obtain funds on the international money market, for example, the North American market where savings were plentiful, and direct them to countries where they were needed. The Bank's latest reports¹ seemed to indicate that its lending capacity was rapidly dwindling away and that its ability to grant loans would depend mainly on its capacity to sell its bonds on the world money market.

5. Moreover, while a considerable proportion of the resources of the International Monetary Fund were lying idle, the balance of payments of many under-developed countries was deteriorating. The Fund was paying insufficient attention to the economic effects of the instability of the primary commodities market which represented the main source of foreign currency for those countries. Their difficulties were not due exclusively to domestic monetary phenomena but were mainly the result of fluctuations in the terms of trade.

6. He noted with satisfaction that the Fund now viewed the problem of the financing of economic development programmes somewhat differently. Yet more emphasis should have been placed on the fact that the international resources that could be used for that purpose were still inadequate or not yet available.

7. He had been glad to learn from Mr. Jacobsson, the Managing Director of the Fund, that the Fund would give a dynamic impulse to its operations and would be ready to help in ensuring the balanced growth of the domestic and international trade of its members. In that connexion, the Fund should be more practical in its dealings with countries in the process of economic development and should co-operate more closely with international bodies such as the Council and the Commission on International Commodity Trade.

¹ International Bank for Reconstruction and Development, *Eleventh Annual Report, 1955-1956* (Washington, D.C.), transmitted to the Council under document E/2944, and "Summary of developments in the Bank from 1 July 1956 to 31 January 1957" (Washington, D.C.), transmitted to the Council under document E/2944/Add.1.

8. He was not in agreement with the view expressed by the Netherlands representative (960th meeting) concerning the effects on the world economy of the establishment of a European Common Market. As an under-developed country, Brazil felt that the Common Market would adversely affect its exports of primary commodities and its capital imports. The European countries concerned would be doing themselves a disservice if they overlooked the needs of the under-developed areas which for more than a century had provided markets for their industrial products and were the traditional suppliers of the primary commodities they needed.

9. Brazil had insufficient domestic capital to implement its basic investment programmes and could not speed up industrialization so long as it was unable to count on an adequate volume of foreign capital, both public and private. The Brazilian Government hoped that the Council would complete its studies on industrialization recommended at previous sessions and that those studies would provide the basic data for the use by Brazil of scarce resources for industrial purposes.

10. By co-ordinating efforts at the current session, the Council would be able at the twenty-fourth session to take effective action to attain the common goal, namely the establishment of a more just economic balance among nations.

11. Mr. ASMAUN (Indonesia) said that the development of the under-developed countries raised two fundamental and interrelated problems, namely, the supply of adequate capital and the training of skilled technicians, administrators and workers. He wished to dwell particularly on the second of those problems.

12. The United Nations and the specialized agencies had undoubtedly devoted a good deal of attention to the matter under the technical assistance programmes; but those programmes could not accomplish miracles and the main effort must come from the under-developed countries themselves. Yet, without underestimating the results achieved, it must be admitted that the initial hopes of the under-developed countries had not been completely fulfilled. Those countries had not yet managed to place their economies on a sufficiently solid foundation to neutralize the effects of fluctuations in world prices and they still faced financial difficulties.

13. The three reports before the Council—on industrialization (E/2958), land reform (E/2930) and co-operatives (E/2950) respectively—dealt with certain aspects of the question of training the administrative and technical personnel needed by the under-developed countries, but they did little more than pose the problem, and experience showed that it would have to be approached from a different point of view. When the technical assistance programmes began, it had been thought that much could be done by engaging foreign experts who would quickly diagnose the ills of the under-developed countries and suggest remedies. It had been recognized, however, that the problem was too complex to be solved in that way and a number of technical assistance experts had returned from their missions disappointed and even resentful towards countries to which they had gone full of enthusiasm.

14. The Indonesian delegation had accordingly noted with special interest the suggestion made by Mr. Lester B. Pearson, the Canadian Secretary of State for External Affairs, and endorsed by Mr. Hammarskjöld in an address at McGill University, Montreal, almost a year previously; in the course of that address the

Secretary-General had pointed out that lack of trained administrative and technical personnel, rather than lack of capital, was holding back the development of the under-developed countries, and had recommended the establishment of an international civil service, for qualified men and women of any nationality who were ready to make their careers in the under-developed countries. In his delegation's opinion, the suggestion deserved serious consideration. It would make it possible to avoid many of the difficulties encountered in the past in the recruitment of experts.

15. At the same time, it was apparent that the contribution that foreign experts by themselves could make to an under-developed country's economic progress was limited. The real need was to equip the under-developed countries with competent local staff. For that reason, the international civil service should be combined with an international training institute, the purpose of which would be to train nationals of the under-developed countries to work as technical and administrative experts in their own countries. The institute could be financed by grants and endowments from Governments and private foundations. His delegation did not intend to submit a draft resolution on the subject at the current stage but would be grateful if the Secretary-General could prepare a paper for the Council at the twenty-fourth session setting out his proposal for an international civil service in more concrete terms, taking into account the possibility of the simultaneous establishment of an international training centre, and having due regard to the legal and practical aspects that must be considered.

16. With regard to the European Customs Union and Free Trade Area referred to by the Netherlands representative (960th meeting), he said that the decisions taken by the Western European countries continued to cause serious concern in Indonesia. His delegation of course recognized the right of any State to decide on the most appropriate economic structure for itself and sympathized with the motives that prompted the Western European countries to form an economic union. While it realized that integration might ultimately contribute to a higher world level of production, his delegation feared that it might develop into a neo-mercantilist system, which would adversely affect countries outside the Common Market area and the overseas territories associated with it.

17. The Common Market might tend to widen the gap between the under-developed and the developed countries as it was probable that, while world production would increase, the share of the under-developed countries would decrease. In view of the participation of the overseas territories, there was reason to believe that the demand for the raw materials produced in the under-developed countries would in the long run decline rather than increase, with a consequent deterioration in their terms of trade.

18. The only effective counter-measure would be an increased programme of financial assistance to the under-developed countries. Indonesia hoped that the industrialized countries would recognize the need for measures along those lines to ensure that the establishment of the Common Market did not lead to an aggravation of the already great disequilibrium between the developed and under-developed countries.

19. Mr. FARUQI (Pakistan), emphasizing the urgency and importance of economic development in the under-developed countries, said that the speed with

which studies of industrialization were being conducted should be accelerated. Unfortunately the report before the Council (E/2958) offered little that deserved special consideration. It was worth recalling that economic development meant a balanced development of agriculture and industry. The under-developed countries must be raised to a level where they could have an identity of interest with the economically developed countries. Otherwise, it would be impossible to work out common policies which would benefit the world as a whole.

20. The economy of the under-developed countries was based on agriculture but, even in that field, without the complementary strength derived from industry, they had lagged far behind the other countries. Many of them had had to face food shortages and famine conditions because they lacked the resources to provide against such emergencies. Left to themselves, they could neither look to the development of their agriculture nor implement their programmes of industrial development.

21. The external assistance they needed would not produce lasting results unless it was provided with great speed and on an adequate scale. Land reform alone would not improve the position of the agrarian sector unless there was substantial industrial development to absorb the surplus rural population. In general, there was no shortage of manpower in the under-developed countries but there was a shortage of savings that could increase capital formation. In his delegation's view it was urgently necessary to establish industries in the under-developed countries which could use the available local raw materials, and to develop the technical and managerial skills needed for that purpose. Once a certain level of industrial development had been achieved, it would be possible to evolve and implement a development programme taking into account both agriculture and industry. From the human point of view, unless there was a substantial and speedy improvement in the level of living, the people would not have the mental attitude necessary to make the best use of the capital and technical assistance provided to further the development of their countries.

22. In order to accelerate the rate of development, a special unit should be set up under the auspices of the Economic and Social Council to keep under constant review the progress of industrial development in the under-developed countries. The unit would also give advice on planning to countries requesting it, and arrange for the training of the technical and administrative staff required for the establishment of the planned industries.

23. If the under-developed countries did not receive continuing assistance, the imbalance in their economies would increase and it would be more costly and difficult to correct it. He trusted that the economically developed countries would continue to give liberal assistance.

24. With regard to land reform, he felt that a longer interval between reports would permit a better assessment of the progress achieved.

25. The study on co-operatives prepared for the Council (E/2950) dealt admirably with the theoretical aspects of the problem. What was required, however, was the establishment of regional co-operative schools in the under-developed countries, particularly in the region covered by the Economic Commission for Asia and the Far East. He believed that it would be possible to establish such an institution in Pakistan.

26. The Secretariat might be asked to submit annually a paper giving a general picture of economic development in the under-developed countries. A report on the progress achieved and the failures and the reasons for them would be useful and instructive. To provide such a report, it would be necessary to establish a permanent unit on industrialization. The Secretariat would continue to make special studies from time to time, but failure to take stock regularly of economic progress in the under-developed countries might create a false sense of security and essential problems might be neglected while less important questions were studied. He hoped that the economically developed countries represented on the Council would support his suggestion.

27. Mr. ROUX (International Labour Organisation) said that the report on co-operatives (E/2950) had been prepared jointly by the secretariats of the United Nations, the Food and Agriculture Organization (FAO) and the International Labour Organisation (ILO), chapter 2 being the work of the International Labour Office. Some representatives had criticized that chapter on the grounds that it was inadequate and theoretical. He felt he should make it clear that, as the report had had to be edited, the chapter, in its final form, was a mere statement of ideas from which all the examples supporting the observations made had been removed. The authors had also been accused of not having been critical enough and of not having made it sufficiently clear that co-operation could not prosper without freedom. The subject chosen was forms of assistance which could be provided by the public authorities to co-operatives and it had been considered as one aspect of the more general subject of economic development, which was of particular importance to the under-developed countries. In those countries, it was generally recognized that it was the Government's responsibility to lend vigorous support to co-operative activities. As a final reply to the criticisms made, he read out paragraph 13 of the report, which expressly stated that the co-operative movement was essentially popular in character.

28. Outlining recent ILO activities in the co-operative field, he said that the Sixth Conference of American States members of the ILO had adopted two resolutions, one on principles of general co-operative policy and one on future ILO activities in that field in collaboration with other organizations.

29. In connexion with the training of staff, the ILO, in co-operation with FAO and the United Nations, had organized a co-operative training course under the auspices of the Danish Government from 1 August to 12 September 1956 in Denmark. In November and December 1956, a four-week course had been given at Mysore, India, on the role of co-operatives in regard to small-scale industries and handicrafts. Consultations were in progress with FAO and the Commission for Technical Co-operation in Africa South of the Sahara with regard to the organization of another course in the near future. Many technical assistance projects were also concerned with matters relating to co-operatives.

30. After the report on *Progress in Land Reform* (E/2930) had been written early in 1956 the International Conference had adopted a recommendation on vocational training in agriculture. The conference had already undertaken a preliminary examination of the question of living and working conditions of indigenous populations, which were mainly rural and agricultural, in the independent countries.

31. Finally, he assured the Council that the ILO intended to continue its activities in those fields in co-operation with the United Nations and FAO.

32. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) thanked those representatives who had expressed their appreciation of the reports the Secretariat had prepared for the Council.

33. With regard to land reform, he noted that the members of the Council appeared to agree that the periodical reports on land reform might usefully be published at longer intervals, a view similar to that expressed by the Secretary-General at the Council's twenty-second session. A general report might be prepared only every five, six or seven years. The report would continue to be the joint responsibility of the various organizations concerned and, as the FAO representative had recommended, might deal with implementation rather than with legislation. Members of the Council also appeared to desire further monographs on various land reform problems. Responsibility for such special studies should be clearly divided among the various organizations concerned. The Food and Agriculture Organization should be responsible for all questions relating to techniques of agrarian reform and its effects on production, and the ILO for problems affecting rural labour. The United Nations Secretariat might undertake a study of the relationship between land reform and industrialization, with a view to considering the possibility of using the compensation offered to landowners to further industrial development. He could not at the current stage give any undertaking with regard to such a study and felt that the Secretariat should be left free to decide how much time would be required. He believed that the representatives of the other organizations would also welcome any latitude the Council might allow them. Some latitude was essential if the reports submitted to the Council were to be useful and based on thorough study.

34. He did not believe that any useful purpose would be served by a further general study on co-operatives. The report before the Council (E/2950) supplemented the 1954 study, *Rural Progress through Co-operatives* (E/2524)², which was still applicable. The ILO and FAO representatives had given information on their organizations' fields of activity. The United Nations concentrated its research principally on the relationship between co-operatives and community development. It was desirable that the question should be considered in connexion with the study of various sectors, such as housing, in which co-operatives could play an important part. In any case, the United Nations could act most effectively through technical assistance.

35. With regard to industrialization, he pointed out that the report (E/2958) dealt only with projects covered by special appropriations. A project on planning or programming was under study in the Statistical Office of the United Nations. The purpose of the study was to determine minimum statistical machinery required for planning at the various stages of development. It had been found that planning was hampered in many under-developed countries by the lack of statistical information. Steps had been taken at the ninth session of the Statistical Commission to recruit regional statisticians. Other subjects might be studied but that was the most essential and urgent point at the current time.

² United Nations publication, Sales No.: 1954.II.B.2.

36. Commenting on the Netherlands representative's suggestion concerning the establishment of a general information centre available to all countries and the possibility of undertaking studies on trends in certain markets, he said that he sympathized with the intention underlying the suggestion and felt that the information possibilities, the development of which was perhaps the essential function of an international secretariat, had not been fully explored. Nevertheless, the proposed studies might impose a very heavy burden upon the Secretariat. The Food and Agriculture Organization and its Committee on Commodity Problems were studying technical problems in that field but when the question of information had been raised in the Council's Commission on International Commodity Trade, it had not been received enthusiastically. He could not give any undertaking in that connexion but thought that it might be useful to consider what could be done along those lines.

37. He assured the Council that the Secretariat was not neglecting the study of public enterprises and hoped that it could be undertaken in the near future. He also pointed out to the representative of Canada that the programme presented by the Secretariat took fully into account consultations with under-developed countries and experience gained in the technical assistance programmes. The programme was in fact considered to be complementary to the technical assistance programmes.

38. With regard to the Indonesian representative's suggestion, he said that the Secretariat might submit for the Council's twenty-fourth session, a document on the problem of establishing an international civil service. It would also be possible for it to submit a few comments on the question of establishing an institute for the training of national experts, but he questioned whether it was necessary or desirable to wait until such an institute was established before carrying out the proposal to organize a corps of international experts on the lines suggested by the Secretary-General in his address at McGill University.

39. Moreover, the preparation of an annual report on the progress of economic plans in the under-developed countries, as suggested by the representative of Pakistan, would be a difficult task. He felt that the development of the various plans could more usefully be studied within the framework of the regional commissions.

40. The PRESIDENT said that if the Council agreed, the Secretariat would prepare for the Council at its twenty-fourth session the document requested by the representative of Indonesia.

It was so agreed.

41. In reply to a question by Mr. ANIS (Egypt), Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) said that the study on the Middle East, which would be published shortly, would deal with three countries and would subsequently be extended to include other countries. In regard to Africa, funds had only recently been obtained and the preparatory phase of gathering information was about to begin.

42. The PRESIDENT suggested that the general debate should be closed and the question referred to the Economic Committee, on the understanding that the latter would not re-open the general debate.

It was so decided.

The meeting rose at 12.45 p.m.