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President: Mr. Juan I. COOKE (Argentina).

Present:

The representatives of the following countries: Argentina, Australia, Belgium, China, Cuba, Czechoslovakia, Ecuador, Egypt, France, India, Norway, Pakistan, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Yugoslavia.

Observers from the following countries: Chile, Indonesia, Netherlands, Philippines.

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

Economic development of under-developed countries

[Agenda item 3]

GENERAL DEBATE

1. The PRESIDENT declared open the general debate on the economic development of the under-developed countries.
2. Mr. BUNGE (Argentina) stressed the importance and the difficulty of the question of economic development of the under-developed countries. Prolonged and fruitless discussions must be avoided and practical solutions must be sought. If the United Nations wished to help make peace and security prevail in the world, it had no better means of doing so than by fostering international co-operation to ensure well being and progress in the under-developed countries through economic development.
3. For such co-operation to be effective, it was important clearly to determine the requirements to be met and the methods to be used and, instead of being satisfied with working out abstract systems, to take realities into account.
4. It was undeniable that the goal to be reached was a rapid rise in the standard of living of the peoples of the under-developed countries: the vicious circle of hunger, disease and poverty must be broken so as to enable the peoples which are aspiring to political and social justice, to attain economic independence also.
5. It was more difficult to agree upon the form international co-operation should take and the field in which it should be exercised. In the past, nations had collaborated chiefly in solving urgent problems connected with world political events; they had thus granted priority to the reconstruction of areas devastated dur-

ing the Second World War. The question of economic development of the under-developed countries had been relegated to the background because it was not there a matter of overcoming a crisis, but of improving what were considered to be the normal standards of life of the peoples concerned. But his delegation thought that the really urgent question was there and that, if the United Nations wished to help effectively to ensure the peace and security of mankind, it should devote its energies to solving the serious problem of the economic lag the greater part of the world still had to make up as soon as possible.

6. Once the paramount importance of the question of development of the under-developed countries had been acknowledged, the magnitude of the problem had to be determined. It was obvious that it was essential to increase the productive capacity of those areas in order to raise the standard of living of the peoples and, for that purpose, to ensure the full employment of the active population and increase the productivity of labour by the adoption of modern techniques.

7. During the nineteenth century and the greater part of the first half of the twentieth, an economic system had been established and consolidated in which manufacturing production had become concentrated in a few countries of the world, while other countries served only as sources of raw materials and low-cost foodstuffs. Engineering progress and the resulting increase in productivity had benefited only the industrial countries. They had become rich and the standard of living of their peoples had constantly risen, while the countries which supplied raw materials found that the gap between them and the industrial countries was daily widening.

8. It was important that the under-developed countries should also benefit from the general increase in world productivity. To that end, their full economic development should be ensured; they should not be forced to remain primary producing countries, and their production should be diversified. That aim would be more easily attained if the countries concerned were to unite their efforts to form economic unions, ensure more rational development of their resources, intensify their trade and find common outlets for their products. Argentina had shown the way by signing agreements with the republics of Chile, Ecuador and Paraguay, to which the other countries of Latin America might accede.

9. Furthermore, if, in order to ensure more even distribution of riches in the world, it was desired to reduce the difference between the standards of living in the under-developed countries and in the industrialized countries, the rate of development of the under-developed countries must be made faster than that of the industrial countries. A study, "Preliminary Study of the Technique of Programming Economic Development" (E/CN.12/292), carried out by the Economic Commission for Latin America (ECLA), gave a rough idea of the magnitude of the problem. According to

that study, the average *per capita* income in Latin America amounted to US\$245 in 1952, whereas it had been \$2,000 in the United States. If it was desired to raise the *per capita* income in Latin America to \$665, or one-third of the *per capita* income in the United States, which was a reasonable target, 42 years would be required, assuming an annual rate of increase of 2.5 per cent, which was the highest rate reached since the war. But, if it was considered that during the same period the *per capita* income in the United States would increase by 2 per cent every year, it became evident that 255 years would be required to reach the target. If the Latin American countries wished gradually to reduce the considerable difference between the standard of living of their peoples and that of the people in the United States, they must make a decisive effort to speed up their development.

10. In brief, it was obvious that economic development of the under-developed countries should aim both at increasing and diversifying their production to enable them to meet the vital needs of their peoples, and at accelerating their development so as to bridge the gap between their standard of living and that in more advanced countries. Of course, those two aims could only be achieved to the extent to which the people directly concerned devoted their every effort to them. But the fact remained that such efforts would be in vain without an efficient international organization to direct them towards positive results. A vast field of action was therefore open for collaboration among nations. National effort and international action must support and complement each other.

11. If it were granted that the full and speedy development of the under-developed countries deserved absolute priority, and if it were acknowledged that the same methods could not be applied to the under-developed countries as to the highly industrialized countries, the conclusion was that a change in the economic structure of the world was imperative and that it must be made essentially in terms of the needs of the under-developed countries.

12. Hitherto, international agencies had been concerned chiefly with restoring the pre-war order of things and doing away with the artificial barriers and restrictions which had hampered international trade and the free movement of capital and persons. That explained, to some extent, why the International Monetary Fund, the International Bank for Reconstruction and Development, and the General Agreement on Tariffs and Trade had not come up to expectations. His delegation thought it was essential to undertake a general revision of the complex provisions governing international relations in the commercial, monetary and financial sphere, in order to equip the international community with the necessary instruments and agencies to ensure the economic development of the under-developed countries. General Assembly resolution 623 (VII) of 21 December 1952, which had been proposed by his delegation, aimed at such a revision of the existing economic order. Experience had shown that further progress on those lines was necessary.

13. In the first place, it was vital to find a means of stabilizing world prices of primary commodities entering international trade on a fair and equitable basis. Everybody realized that sudden and violent price fluctuations were the principal cause of weakness in the primary producing countries, the economy of which

depended first of all on exports. Without a stable and growing market for their products, those countries would find it difficult to get out of their present rut. A careful perusal of the Secretary-General's excellent report on the "Repercussions of Changes in Terms of Trade on the Economies of Countries in Process of Development" (E/2456 and Add. 1) showed that excessive fluctuations in the prices of primary commodities entailed consequences the gravity of which far surpassed the advantages of unrestricted supply and demand.

14. The inevitable conclusion, therefore, was that industrial countries must refrain from taking any step which might limit the volume of international trade in the primary commodities exported by the under-developed countries. International trade could not, in fact, continue to be governed by the principles of reciprocity and universality underlying the postwar agreements, since there could be no question of reciprocity and universality between nations in such very different stages of development. In his delegation's view, future international instruments should bear those factors in mind, and a relaxation of restrictions on imports of primary commodities from under-developed countries should not in any event be contingent upon compensation.

15. Nevertheless, restrictions on international trade had recently become ever more numerous and serious. In the circumstances, it was reasonable to question the use of repeated statements of calculated aims, if the under-developed countries were to be deprived of the fruits of their efforts to produce, which constituted the only real economic weapon in their possession.

16. However, although it was important to prevent the consumption of primary commodities from becoming paralysed by restrictions and limitations, it was perhaps even more vital to prepare for the consequences of the current fluctuations in prices of raw materials in international trade. It was certain that any lowering of the true value of those materials could only have harmful consequences, and hence it was necessary to avoid excessive fluctuations in the terms of trade between primary commodities and manufactures by stabilizing the prices of raw materials, not only over a period of time but also with regard to their purchasing power in relation to the general price level.

17. The example of Latin America provided a good illustration of the great importance of such minimum stability in under-developed areas. The statistics published by ECLA showed that between 1945 and 1952, when the terms of trade had favoured Latin America, the improvement in the balance between prices of raw materials and those of manufactures had amounted to \$21,000 million, which was 8.3 per cent of the gross revenue of the countries in the area. During that period, for the first time in many years, Latin America had seen a reasonable quickening of the tempo of its development, and the capital accumulation rate, which had averaged 16.5 per cent over the seven years, had for the first time exceeded the rate of 13.2 per cent reached in 1925-1929. But, while the movement in price relations had such remarkable consequences in a period of prosperity, its effect on under-developed countries was even greater when it reflected an adverse trend. For those reasons, his delegation was convinced that it was necessary to stabilize the relations between prices of primary commodities and those of manufactures. In his opinion, that aim was not

incompatible with the desire to provide for the organic development required for economic advancement.

18. Fluctuations in the prices of primary commodities had brought about a substantial reduction in the Argentine revenue derived from exports. A study recently published by the Central Bank of Argentina showed that between 1913 and 1951 the terms of trade had been distinctly unfavourable to Argentina during thirty years, and had only been favourable in 1948. If the prices of exports and the prices of imports had followed parallel courses since 1913, Argentina would have derived additional revenue, which would have enabled it, *inter alia*, to meet its obligations regarding foreign loans, to nationalize its public services, and to pay off the national debt. That reduction in Argentine revenue from foreign trade was justified neither by the fluctuations in the volume of its exports nor by changing trends in international demand.

19. The question of commodity trade and economic development was the subject of a report prepared by a group of experts appointed by the Secretary-General (E/2519), who had put forward several interesting ideas. "Just" and "equitable" prices were defined by the experts as "reasonably stable" prices. The experts recognized the gravity of the problem and the need for a rapid solution. In their view, contractual agreements in respect of particular commodities were insufficient. The monetary aspects of the problem were not overlooked. The Committee stressed the responsibility of the industrial countries, and asked them not to abuse their economic power when negotiating with the under-developed countries. Finally, the experts demonstrated the need for concerted international action in assuring stable prices for the primary commodities traded in international trade.

20. The committee had analysed the various possible suggestions, but had refrained from advocating any of them. The experts had confined themselves to suggesting that an international committee should be established to submit such recommendations as it might consider desirable. The Argentine delegation considered that suggestion useful but inadequate to meet present needs, and it intended to submit a draft resolution for the establishment of a permanent advisory committee on international trade in primary commodities. That body would supply an important need and would enable governments to consult with one another on questions concerning international trade in primary commodities.

21. Bound up with the problem of the stability of primary commodities was that of surplus stocks of agricultural produce and livestock, which could not be absorbed in the international market at reasonable prices. The world was still fluctuating between periods of glut and periods of shortage, and surplus stocks were accumulating while a large part of the population lived in famine and poverty.

22. When there was a shortage, the importing countries made agreements to control demand, to prevent an excessive rise in prices, and to secure an equitable distribution of scarce commodities. But in a period of glut and sagging prices there was no analogous device to protect the interests of the exporting countries. The problem of surpluses was consequently closely linked with that of the stability of prices of primary commodities, and the two had to be studied concurrently. The solution was not to be found in fragmentary measures,

but in closer international collaboration and in a revised pattern of international trade, within which the laws of supply and demand could operate effectively.

23. He also drew the Council's attention to the conclusions reached by the Working Party of the Committee on Commodity Problems of the Food and Agricultural Organization concerning the problem of surpluses. Those conclusions should facilitate the preparation of a plan for stabilizing the prices of raw materials. It was necessary, when taking measures to control demand and fix maximum prices, to provide corresponding measures for regulating supply and ensuring observance of minimum prices.

24. Those factors had, moreover, resulted in certain recommendations by the tenth Inter-American Conference held at Caracas. The Conference had condemned measures to restore equilibrium by the destruction of surpluses, and had stressed the need to avoid excessive fluctuations in the prices of agricultural produce and livestock, and to maintain an even ratio between the prices of primary commodities and those of manufactures. The countries which had surpluses had been asked to refrain from any measures liable to disturb the normal course of trade. It had been recommended that only those countries which played a secondary part in international trade should receive gifts. Finally, the Conference had advocated increased consumption through an economic development policy aimed at raising the standard of living.

25. He also recalled the pressure which industrial countries sometimes exercised on less advanced countries by boycotting their products or by favouring the development of substitute commodities. Such measures caused considerable harm to the under-developed countries; the industrial countries should not resort to such practices or, at least, should not encourage them.

26. The committee envisaged by his delegation could lay the foundations for a more equitable and more stable trade structure, and so pave the way for an international conference to complete the instruments which the world needed.

27. It was well known that the under-developed countries were forced to call on foreign capital in financing their development. The role of such capital was, however, limited. A study recently undertaken by ECLA showed that between 1946 and 1952 foreign capital had not exceeded 3 per cent of the total investments in Latin America, and that foreign investment was mostly confined to the production of raw materials. Argentina encouraged foreign investment, but attempted to direct it towards undertakings of value to the national economy, in accordance with a general development programme.

28. There were other possible sources of investment, and Argentina had already stated that it favoured the establishment of a special fund and an international finance corporation. It must be borne in mind that those methods of international financing, far from hindering private enterprise, could, in fact, widen its scope.

29. Finally, it must be remembered that the economic development of certain under-developed countries was dependent on reforms in land tenure. That question was the subject of two documents prepared by the Secretariat: *Progress in Land Reform* (E/2526) and

Rural Progress through Co-operatives (E/2524). Those two studies showed that much remained to be done in that respect. Most of the obstacles to land reform were certainly outside the scope of international action, but some of them were related to the economic situation of the under-developed countries and could only be overcome through a general programme of development. Argentina had adopted a land policy based on the principle that ownership, a primarily social function, had to be vested in those who worked on the land, but any land policy fell within a general economic development policy.

30. In conclusion, he stressed that the Council's main efforts should be directed towards meeting the needs of the under-developed countries. It was vital for the industrial countries to abide by the provisions of

resolution 623 (VII), in which the General Assembly recommended to Member States that, whenever they adopted measures affecting the prices of primary commodities, they should duly consider the effect of such measures on the terms of trade of countries in the process of development in order to ensure that the prices of primary commodities were kept in an adequate, just and equitable relation to the prices of capital goods and other manufactured articles so as to permit the more satisfactory formation of domestic savings in the countries in the process of development, with a view to reducing the existing disparity between their standards of living and those of the highly industrialized countries.

The meeting rose at 4.10 p.m.