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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.

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

Economic development of under-developed countries

[Agenda item 3]

GENERAL DEBATE (*continued*)

1. The PRESIDENT invited Mr. Melo Lecaros, the Observer for Chile, to make a statement in the discussion on the economic development of under-developed countries.

2. Mr. MELO LECAROS (Chile) said that his country was greatly interested in the work of the Council, in which it had participated from the first session until 1951. Chile had taken the initiative in submitting proposals on the economic development of under-developed countries which had been incorporated in General Assembly resolutions. He intended to give only a brief outline of the arguments which the representatives of his country had advanced at the last session of the Economic Commission for Latin America, held at Santiago, and at the Tenth Inter-American Conference, recently held at Caracas.

3. Chile's economic problems were more or less the same as those facing all Latin-American countries. At the Caracas Conference, Mr. Dulles, United States Secretary of State, had recognized that the Latin-American countries financed 90 per cent of their economic development from their own resources and that foreign aid in the form of public and private capital contributed only 10 per cent. These resources consisted mainly of income from exports and therefore varied in direct ratio to the prices of exports which showed annual fluctuations of 20 per cent, so that it was impossible for the Latin-American countries to prepare long-term development programmes. Any threat of economic depression in the industrial countries was followed by a drop in their

domestic consumption and a decrease in their imports from Latin America.

4. There was also the matter of the so-called "strategic" materials such as copper. At times of international tension, the demand for such commodities increased. Logically, the result should be an increase in prices, but in fact prices were frozen and quotas were fixed. In normal times, the prices of those commodities were said to be determined by the law of supply and demand, but in fact the market was not free. Sales to countries regarded as "dangerous" were forbidden. Politically, that measure could be defended but, economically, it could not be argued that prices were free when the market was not. The industrial countries buying such commodities should take that situation into account and treat strategic raw materials separately; in other words, they should set fair prices as well as find additional outlets for the commodities concerned. Chile could not agree that it should be considered normal to supply articles of clothing and foodstuffs to the army of a possibly aggressive country and blameworthy to supply raw materials to the same country. In his Government's view, there was no difference between the commodities: non-strategic goods could also be used for rearmament purposes. Either all commodities were strategic, or none was.

5. It was not enough to be gratified that national capital was contributing 90 per cent towards financing the economic development of Latin America; it was important to guarantee that percentage against economic fluctuations. Chile therefore favoured the conclusion of long-term agreements to ensure the stability of markets and prices.

6. Foreign capital, which contributed 10 per cent towards financing economic development, was far from meeting the South American continent's estimated requirements of over \$500 million per year. It was essential therefore to increase that percentage by stimulating the flow of capital. The income drawn by the capital-exporting countries from Latin America was four times greater than the capital invested annually, so that, however paradoxical it might seem, the South-American continent was a net exporter of capital. Between 1946 and 1952, interest and dividends exported had amounted to over \$5,000 million, whereas the capital invested over the same period had been only slightly in excess of \$1,200 million.

7. Public capital supplied by agencies such as the United States Export-Import Bank and the International Bank for Reconstruction and Development were also essential to the economic development of under-developed countries. The progress made by Chile during the previous fifteen years would have been impossible without the loans granted by those two agencies. Private capital could never have financed the establishment of industries like the Huachipato steel works and the hydro-electric plants. The Export-Import Bank must therefore further develop its activities in Latin America, and the International Bank must show greater

flexibility in granting loans and make the unduly rigorous conditions which it imposed on borrowers less stringent.

8. Private capital also played a part in financing economic development, and Chile had recently enacted legislation granting special facilities to private capital, but investors were naturally interested in short-term investments rather than in operations extending over 30 or 40 years. Furthermore, in order to ensure that they would draw the income from their capital, they invested in export industries, whereas the countries concerned required industries working for the domestic market. He quoted as an example the Chilean agricultural development plan which had been studied by experts of the International Bank and the Food and Agriculture Organization (FAO). It was an eight-year plan and would require the investment of 60 or 70 million dollars to buy agricultural equipment abroad. Obviously only public capital could finance such programmes. Private capital could play only a supplementary part.

9. Foreign trade and the flow of capital were the two essential factors in the economic development of Latin America. The fact had been recognized at the Caracas Conference, and a special conference of ministers of finance was to be held at Rio de Janeiro in November 1954 to study international trade and economic development. Latin America was placing great hopes in that conference. The Latin-American countries did not want subsidies; they wanted agreements fixing reasonable prices for their commodities and establishing a fair relationship between the prices of the raw materials which they exported and the manufactured goods which they had to purchase from the industrial countries. In 1950, Latin America had been able to purchase only 60 per cent of what it would have been able to obtain in 1870 for the same amount of raw materials. In addition, the food supplies available to the peoples of Latin America were only 70 per cent of the supply that had been available on the market ten years previously. The result was a reduction in consumption, and discontent.

10. He wondered whether the enormous disparity between *per capita* income in the under-developed countries and in the industrial countries such as the United States, which had been stressed by the Argentine representative in his excellent statement at the 762nd meeting, was not one of the causes of the unrest which an attempt was being made to exploit for the purpose of aligning the peoples of the under-developed countries against the great industrial countries. It was natural that someone who possessed very little should try to lay his hands on the possessions of someone who had more than he, not through envy but through a simple desire to improve his own condition. Mankind was no longer divided into social castes and classes. At present, the division was based on differences in economic opportunities. Those differences must be reduced in order to achieve social equilibrium and sincere understanding between peoples.

11. If the industrial countries promoted the development of under-developed countries, and of Latin America in particular, their work would not be without recompense. They had everything to gain from the expansion of consumption which would be the result and which would provide them with the most effective means of warding off the economic crises that threatened them at regular intervals.

12. Social peace was based on economic security. Although Chile was not represented on the Council, it believed that the members of the Council shared that view and had the greatest confidence in the efforts which the Council would make in order to achieve its aims.

13. Mr. EL-TANAMLI (Egypt) drew attention to the great services which the United Nations was rendering to the cause of civilization, in particular by working as it had done since its foundation, to promote the economic development of under-developed countries. The problem was to devise a plan of action at the national and international levels capable of ensuring lasting world economic stability combined with full employment of human resources. It was clear from all the surveys of the world economic situation and the special analyses of development and economic stability that economic activity in the under-developed countries was not enough to provide their growing populations with a satisfactory standard of living, and that it could not promote stability and full employment. Rational economic intervention was therefore essential at both the national and the international levels.

14. At the national level, the under-developed countries had made every effort to prevent a reduction in *per capita* income and a lowering of standards of living. The Egyptian Government, for instance, had established an economic development council with a special budget, representing approximately 18 per cent of the general State budget, which was used to finance various economic development projects in industry, agriculture, the extractive industries and electric power production.

15. On the other hand, the action taken at the international level to promote the economic development of the under-developed countries was obviously inadequate. International co-operation in the economic field was still in its infancy, and the international organizations concerned with the economic development of the under-developed countries lacked the resources necessary to achieve their purpose. There was therefore reason to fear that the disparity between the standards of living of the under-developed countries and the industrial countries would continue to increase, which might jeopardize not only the orderly expansion and stability of the world economy, but also, what was more important, understanding between nations and world peace.

16. In the common interest, certain practical measures must be taken immediately to deal with the danger. The Council had before it several reports on the subject prepared by the Secretariat and by groups of experts. The reports dealt with three aspects of economic development: terms of trade, the flow of private capital, and land reform.

17. The question of terms of trade was the subject of the experts' report *Commodity Trade and Economic Development* (E/2519) and of a report by the Secretary-General "Repercussions of Changes in Terms of Trade on the Economies of Countries in Process of Development" (E/2456) and Add.1). The Egyptian delegation would discuss that report, which was of great interest, in greater detail in the Economic Committee.

18. Proceeds from foreign trade constituted the principal means of financing the economic development of the under-developed countries, and fluctuations in the terms of trade therefore had a considerable influence on the development of those countries. The rate of Egypt's economic development, for example, depended solely on the price of cotton—which, together with its by-

products, accounted for 90 per cent of Egyptian exports—in relation to the prices of the manufactured goods and capital goods which it had to import. Fluctuations in the terms of trade had repercussions at all levels of economic life in the under-developed countries which exported a single agricultural or mineral product. Large changes in the prices of those commodities in terms of national currencies led to inflation or deflation, and could have serious consequences.

19. The authors of the report (E/2519) on terms of trade had recommended certain practical measures to ensure the short-term stability of primary commodity prices. They had stressed the need to ensure real and not merely nominal stability of prices. On several occasions they had drawn attention to the desirability of establishing a reasonable relationship between the prices of primary commodities and manufactured goods. In that connexion, the Egyptian delegation believed that efforts should be made in two directions. First, the prices of certain commodities to which the prices of manufactured goods were particularly sensitive must be stabilized. Secondly, in examining the problem of restrictive business practices, special attention should be given to the effects of such practices on the prices of primary commodities exported by the under-developed countries.

20. In the second place, the experts recommended the establishment of compensatory arrangements which would involve unconditional capital transfers between developed and under-developed countries in the event of extreme fluctuations in the terms of trade. In that connexion they emphasized the part that could be played by the International Monetary Fund and the International Bank for Reconstruction and Development. In his delegation's view, the Council should give that recommendation careful consideration.

21. With regard to national measures, the experts recommended that individual under-developed countries should try to stabilize the prices of their commodities by establishing national stabilization funds where appropriate. The United States farm price stabilization policy, especially with regard to cotton prices, was undoubtedly a very interesting experiment. Egypt was also applying a national cotton price stabilization policy which had facilitated the disposal of a large part of the stocks accumulated during recent years.

22. The experts also advocated the relaxation of import restrictions and the elimination of subsidies to domestic producers in the developed countries. He thought that those two groups of measures should be examined more closely by the Council.

23. Finally, the Egyptian delegation was inclined to support the experts' recommendation for the establishment of an intergovernmental advisory trade stabilization commission.

24. With regard to the problem of the flow of private capital which was dealt with in *The International Flow of Private Capital, 1946-1952* (E/2531) and "International Flow of Private Capital for the Economic Development of Under-Developed Countries" (E/2546), he said that the situation, as described in those documents, was hardly encouraging. The flow of foreign capital to the under-developed countries was slowing down and was even being reversed. To remedy that state of affairs, it was suggested that the under-developed countries should try to create a favourable climate which would attract foreign capital. He pointed out that the

Egyptian Government had taken various steps during the last two years to promote and encourage foreign investment. Exchange controls had been relaxed in order to facilitate the repatriation of capital and income. The Act on the working of mineral and petroleum deposits, which afforded considerable facilities to foreign companies in this field, was also important. The Egyptian delegation believed that a national policy on those lines, accompanied by co-ordinated action on the part of the capital-exporting countries, could improve the situation with respect to long-term foreign investments in the under-developed countries and remedy "monopolistic" competition which favoured the industrialized countries to the detriment of most of the under-developed countries.

25. With regard to the investment of foreign or international public capital, the General Assembly had not yet recommended practical steps to place supplementary funds at the disposal of the under-developed countries to assist in their economic development. It was time to approach that question realistically, in order to make possible closer co-operation between the different regions of the world. It did not appear possible to settle the question unless the capital-exporting countries adopted a monetary, fiscal and economic policy which would encourage the flow of capital into industries fundamental to the economic development of the under-developed countries.

26. With regard to land reform, he emphasized the importance of agriculture to the world economy and in particular to the economy of the under-developed countries. The world must give full attention to the serious problem involved in the lack of balance between the rate of population increase and the rate of increase in the production of foodstuffs. At present the problem was complicated by the existence of food stocks which were difficult to distribute, at a time when a large proportion of the population was suffering from famine and undernourishment. In some cases, however, an increase in investment and in the employment of labour in industry might have serious consequences if it was not accompanied by a corresponding increase in agricultural productivity.

27. Reforms designed to effect changes in the distribution of land and in land tenure were governed by social and economic considerations: on the one hand, changing views on private property had to be taken into account, and on the other, agricultural output had to be increased. Agrarian reform had been carried out in Egypt for social reasons, but had also been intended to encourage the flow of capital into the various branches of productive activity. It had not been confined to the establishment of a new class of agricultural landowners, but had also made it possible to organize relations between landowners and farmers by guaranteeing the latter their fair share of the income obtained from the land.

28. Other aspects of the reform were the fixing of minimum wages for agricultural workers, the establishment of trade unions and the formation of producers' co-operatives for various purposes. To supplement the information given in the Secretariat studies on land reform and co-operative action, it should be noted that the redistribution of arable land would be completed in Egypt before the end of 1958 and would benefit 1,200,000 person in all. Lastly, the re-distribution of land so far carried out had been accompanied by a substantial increase in productivity.

29. The PRESIDENT invited Miss Sender, representative of the International Confederation of Free Trade Unions, to make a statement, in accordance with rule 86 of the rules of procedure.

30. Miss SENDER (International Confederation of Free Trade Unions) noted that the past two years had witnessed an increase in the production of foods and fibres, but had also brought a slackening of industrial progress in a number of countries and increasing disequilibrium in international trade. In food production, moreover, progress had been uneven, and the distribution of production between the developed and the under-developed countries had remained almost unchanged and as unsatisfactory as before. In addition, the increase in food production had barely kept pace with the growth of population.

31. With the expansion of agricultural production and the slackening of industrial activity had come a drastic fall in the prices of many primary commodities, and the terms of trade had become very unfavourable to the countries producing such commodities. Instability of prices was not, however, confined to primary products. It deeply affected the welfare and security of every nation, no matter how well developed, but the under-developed countries, particularly those specializing in raw material exports, were the hardest hit. The prices they obtained for their exports were closely dependent on economic conditions in the more developed countries, and they were likely to suffer from both the recessions and the recoveries of industrial countries, without obtaining the full measure of real income gains that attended recovery in industrial economies. Thus they had the greatest difficulty in importing the equipment they needed to exploit their resources and to implement their plans of reform.

32. The under-developed countries' low ability to save intensified their difficulties and obliged them to seek foreign capital to finance their economic development. As the study *The International Flow of Private Capital, 1946-1952* (E/2531) showed, private foreign capital, however, not unnaturally flowed towards the industrialized countries, towards the countries rich in natural resources, especially oil, and towards the dependent territories of the more developed countries. The result was that many of the world's over-populated regions with relatively undeveloped manufacturing industry, such as Ceylon, India, Indonesia and Egypt, had recorded a net outflow of private long-term capital during the period 1946-1952. That outflow might have been partly counter-balanced by unrecorded re-investment of profits. Nevertheless, the contrast between those countries and countries with more plentiful natural resources was striking. It appeared that private foreign capital tended to be attracted to such resources rather than to abundant manpower. Agriculture was the main industry of many of those over-populated countries. Agriculture, however, did not attract foreign investment. In the period 1946-1951, only 2.6 per cent of the outflow of foreign direct investment of the United States had gone to agriculture, and the book-value of investment in agriculture and extractive industries other than oil had been lower at the end of 1951 than in 1929.

33. In their replies to the questionnaire on land reform, most governments had stated that the financial and economic obstacles to reform were the most serious. The establishment of agricultural co-operatives for production, consumption, credit and other services might

help them to solve those problems. It was important, however, that voluntary co-operatives should be given the preference over State co-operatives. The authorities should guide and assist, but not control, co-operative associations. As the report on *Rural Progress through Co-operatives* (E/2524) showed, in many areas of dire poverty and deepening frustration, co-operative societies could provide hope based on understanding and constructive action.

34. The expansion of public utilities, which were basic requisites for general economic development, needed heavy capital investment as well as large imports of equipment by most under-developed countries. Under-developed countries which lacked abundant mineral resources were not usually in possession of sufficient capital for such investment. International long-term loans at low interest rates might prove of great assistance to them.

35. Greater economic stability at a high level of production and consumption and consequently accelerated progress in the under-developed countries would result, if the following steps were taken: (a) national and international action to remove as soon as possible the obstacles to trade among the free nations, and increased trade between East and West as soon as the international political situation permitted; (b) international study of national policies which interfered with the movement of goods and services; (c) concerted efforts at the national and international level to increase consumption, and the re-examination of price policies on raw materials entering international trade; (d) multilateral agreements on primary commodities and stock-piling against low-yield years; (e) action in both capital-exporting and capital-importing nations to facilitate and promote the movement of private investment; (f) provision of international loans to make possible investment in agriculture and public utilities, and to assist those under-developed countries which had the greatest difficulty in obtaining foreign private capital.

36. Nations with capital to export could do a great deal, by adopting suitable fiscal measures and by concluding agreements, to encourage investment in the under-developed countries. In their turn, countries requiring foreign capital had to realize that to attract such investment they must offer certain guarantees and create an "investment climate" attractive to foreign capital.

37. The various steps already taken by countries in both categories were analysed in the Secretary-General's memorandum, "International Flow of Private Capital for the Economic Development of Under-Developed Countries" (E/2546), which referred to the action taken by the United States to stimulate private investment abroad, including guarantees against non-convertibility of profits into dollars and against loss through expropriation. The President of the United States had made a number of important recommendations designed to encourage foreign investment and international trade. Mr. Stassen, Director of the Foreign Operations Administration, had declared that United States investment abroad increased the national income and at the same time raised the standard of living of other countries.

38. In the respite provided by the relaxation of their military responsibilities, the more developed countries would do well to divert some of the funds previously used for military purposes towards aid to under-developed countries. The free world should concentrate

on policies which would increase world consumption and improve the distribution of the products of land and machine. Mr. John H. Davis, United States Assistant Secretary of Agriculture, had stated at the last FAO Conference that the productive capacity of United States agriculture exceeded the nation's needs, and that the best answer to the farm problem lay in the direction of greater outlet rather than in shrinking the productive capacity of the exporting countries. On the other hand, a policy of economic retrenchment and nationalism, with consequent wastage of resources, could not but result in the reduction of well-being and in the development of feelings of fear and suspicion among the free nations.

39. Lastly, care must be taken that all groups within the nations shared in the increased welfare. Hence the programmes for development of the under-developed countries would have to be directed towards a rise in the standard of living of the workers and peasants, who would be interested in increasing productivity only if they found that they were the first to gain from it. Trade unions were the best medium for the struggle to obtain improvement in the welfare of all groups of the population. The International Confederation of Free Trade Unions was ready at all times to co-operate with all governments and international agencies in every programme aimed at increasing the general welfare. The impediments to the more equitable distribution of wealth could not be removed, however, until the existing international tension had been overcome.

40. The PRESIDENT called upon Mr. Thormann, representing the International Federation of Christian Trade Unions.

41. Mr. THORMANN (International Federation of Christian Trade Unions) said that his organization had previously had occasion to stress the importance it attached to the economic development of the under-developed countries. It believed that the disparity between the industrialized countries and the under-developed countries was one of the most serious and most alarming problems of the present-day world. At the time of its organization, the international Christian trade union movement had included the problem of the under-developed countries in its statement of principles and had spoken out in favour of their development, which was an essential prerequisite of the welfare of all mankind.

42. He was aware of the results already achieved by the various programmes of technical assistance and economic development undertaken both with and without the aid of the United Nations, and he was heartened to see that the advanced countries were becoming increasingly aware of the existence of tens of millions of human beings who were unable adequately to provide for their elementary needs. He was convinced that any effort towards international co-operation would lead to the creation of one vast universal State.

43. Much, however, still remained to be done. The programmes for economic assistance currently in operation would not permit of the achievement of all the projects which were desirable and furthermore, although the world was aware that the problem existed, it had not succeeded in achieving solidarity of action to solve the problem. For that reason he noted with satisfaction that the Council was now taking up the problem, and he welcomed the opportunity of comment-

ing on certain features of the economic development of the under-developed countries.

44. Consideration should be given to the social training of indigenous leaders and in general to the creation of intermediate social bodies, such as non-governmental organizations. He feared that the various economic programmes might not succeed in raising the standard of living of the people concerned, for the process of economic development might take place independently of, and might even run counter to, the real interests of the peoples concerned unless they were enabled to defend their elementary economic and social rights.

45. The establishment of new industries in the under-developed countries might lead to the formation of a new proletariat, as had occurred in Europe early in the nineteenth century. It would be regrettable if a situation were created which might encourage social tensions. He thought that the class warfare which might result would be much more serious than that which the world had witnessed in the past, for the popular masses would have recourse to the modern technical means at their disposal in their struggle for independence.

46. In order to avoid that disastrous result, a harmoniously balanced economic and social order should be the aim. Intermediate social structures such as the non-governmental organizations, including the trade union organizations, social service organizations and the like, could render especially useful services to the people of the under-developed countries and, indeed, were likely to become stabilizing elements as the economic development programmes led to the formation of new industrial communities.

47. Such a stability would facilitate the execution of the various schemes for financing the economic development of the under-developed countries. It would constitute an additional guarantee for capital investment from all sources. It was to be feared that in the absence of such a harmoniously balanced economic and social order investments would fall short of their objectives and the flow of capital would be seriously affected.

48. His organization had studied the Secretary-General's report on the *International Flow of Private Capital, 1946-1952* (E/2531) and would like to submit some observations on the subject. It had noted with concern that in recent years many of the foreign direct investments had been made not in the under-developed countries but in economically advanced areas. That was especially true of investments in manufacturing industries which were already highly developed in the advanced countries where the standard of living was sufficiently high to enable the people to purchase manufactured products. As a result, many under-developed countries had considered that their economic growth had been unbalanced, lagging in the field of manufacturing, while relatively heavy in the primary production for export.

49. His organization felt that no effort should be spared to foster in the under-developed countries the development of all manufacturing industries likely to promote an increase in the standard of living of the population, and particularly industries producing articles of ordinary consumption.

50. In that connexion he quoted from a resolution adopted in 1953 by the Executive Board of the IFCTU which expressed the view that the primary objective of economic policy in the non-metropolitan territories

should be the organization of domestic markets by the balanced development of agriculture, the extractive industries, manufacturing and trade so as to satisfy the basic needs of the population of the territory concerned and to ensure it a decent standard of living. Social policy in those territories should secure conditions of pay, employment and social security, so as to ensure the workers a decent existence and the free and harmonious development of their personality.

51. The implementation of such policies called for an energetic attempt to organize and expand vocational training. His organization thought that great enterprises holding commercial or industrial concessions could invest a share of their profits in the creation of local manufacturing industries and the training of the technical personnel needed to operate them. It would be better, however, if such investments were made in the form of loans to the indigenous population rather than in the form of direct investments which might increase the economic power those enterprises already possessed.

52. His organization had also noted with concern that foreign direct investments tended to be made in countries that possessed abundant natural resources, whereas other countries which had an abundant supply of labour tended to be neglected. It was obviously difficult to alter economic facts, but the Federation thought that an international organization which was attempting to prepare development programmes for the under-developed countries should devote special attention to the problem of the disequilibrium of investments.

53. The Federation realized, of course, that a great deal had to be done by the under-developed countries themselves to create that atmosphere of confidence and security which would attract foreign investments.

54. In conclusion, he said that the problem of the economic development of the under-developed countries was one of the greatest challenges ever presented to mankind. On its solution depended not only the well-being of millions of persons, but also the elimination of much friction and antagonism which still tended to postpone the advent of the better and more peaceful world which the United Nations was committed to bring about.

55. Mr. TSARAPKIN (Union of Soviet Socialist Republics) said the question of the economic development of the under-developed countries was becoming the more important as there was much evidence that economic conditions in those countries were steadily deteriorating. Their representatives on the Council had not attempted to conceal the gravity of the situation. They had admitted that standards of living had not risen, and several of them had not hesitated to attribute responsibility for that state of affairs to the greed of foreign capitalists who were interested in the under-developed countries only to the extent that they represented a source of easy profits. Cases had even been mentioned where profits were more than three or four times the amount of the initial investment. To indicate the gulf separating the under-developed from the industrialized countries it was sufficient to point out that whereas the people of those countries accounted for 70 per cent of the world's population, their industrial output was only 5 per cent of that of the advanced countries.

56. The chief characteristic of the difficult economic situation in many of the under-developed countries was the decline in industrial and agricultural production, and also in trade. For example, the report (E/2553)

of the Economic Commission for Asia and the Far East (ECAFE) noted with concern the very slow rate of economic development in the countries of Asia and the Far East. The report (E/2536) of the Economic Commission for Latin America (ECLA) likewise expressed concern at the unfavourable effect on the economies of the Latin-American countries of the recent sharp fluctuations in the prices of and demand for the raw materials produced there.

57. Numerous facts indicated that, in many of the under-developed countries, production in a number of important sectors of industry and agriculture was being curtailed. Malaya was an example. The main sectors of Malaya's economy—the rubber and tin industries—were in a critical state. Even according to official statistics, 87 tin mines had been closed in the last seven months of 1953, and the number of workers employed in the tin industry in July 1953 was 50 per cent lower than in 1951.

58. According to the August 1953 *Economic Bulletin for Asia and the Far East*, rubber production in Indonesia, which was very important to the country's economy, had declined from a monthly average of 65,300 tons in the first quarter of 1952 to 56,500 tons in the first quarter of 1953, in other words, by 14 per cent. The production of tin had also declined considerably.

59. The same issue of the *Bulletin* also showed that in 1953 there had been a decline in production in many branches of industry in India, particularly in export industries. For example, the production of jute had dropped from 87,500 tons a month in the first quarter of 1952 to 73,200 tons a month in the first quarter of 1953, in other words by 16 per cent.

60. The production of grain in the countries of Asia and the Far East had been 1.5 million tons less in 1952-1953 than in 1951-1952 and less than 88 per cent of the pre-war level. Production of cotton had also declined in the same period and had been only 79 per cent of the pre-war level.

61. According to FAO statistics, the production of foodstuffs to meet the needs of the local population in the countries of Asia and the Far East was 15 to 20 per cent below the inadequate pre-war level. In Latin America, too, food production had declined 5 per cent below the pre-war level.

62. The foreign trade position of the majority of the under-developed countries had deteriorated to a particularly marked extent. According to the *Economic Survey of Asia and the Far East, 1953*, published by the secretariat of ECAFE, the total value of exports from the countries of Asia and the Far East (excluding the People's Republic of China and Japan) in the first half of 1953 had been more than 40 per cent lower than in the corresponding period in 1951.

63. India's exports, for example, had been 21 per cent lower in 1952 than in 1951, and there had been a further drop of 22 per cent in 1953; Pakistan's exports in 1952-1953 had been 34 per cent lower than in 1951-1952; Malaya's exports in 1952 had been 35 per cent below the 1951 level and there had been a further decline of 21 per cent in 1953.

64. There had been a parallel decline in the volume of exports of the most important raw materials from the countries of the ECAFE region. In 1953, approximately 13 per cent less rubber had been exported than

in 1951, 14 per cent less tea, 20 per cent less rice, and 36 per cent less oilseeds and vegetable oils. The prices of such major primary commodity exports of the ECAFE region as rubber and tin had fallen more than 50 per cent in 1953 compared with 1952. The fall in prices affected almost all primary commodities. It was characteristic that, even when the volume of exports of various items had not shrunk, the receipts from their sale in foreign markets had diminished owing to the sharp fall in prices. For example, although the tonnage of cotton exported from Pakistan in 1952-1953 had been higher than in 1951-1952, the receipts from its sale abroad had been considerably lower because in that period the price of Pakistan cotton had been more than halved.

65. According to the Brazilian newspaper *Correio da Manhã*, as early as 1945 Brazil had been forced to offer three or four times as much coffee for United States goods as in 1935.

66. In 1952, Malaya, Ceylon and Indonesia had been able to get three times less wheat and cotton from the United States in exchange for one ton of rubber than in 1939.

67. The abnormal nature of the commercial relations between the under-developed and the economically developed countries was obvious: since the sale of their raw materials only left them a very narrow margin of profit, the under-developed countries were compelled to reduce their imports of capital equipment and other manufactured goods, which were nevertheless essential to their economic development. Moreover, their economy depended almost essentially on the sale of a very small number of raw materials, which made them extremely vulnerable to any price fluctuations. To them, a decline on the world market inevitably meant reduced production, increased unemployment and a further decline in the standard of living.

68. That the economic position of the under-developed countries had thus worsened might be directly ascribed to the selfish policy of the monopolies in the United States of America and certain other capitalist countries. It was in the monopolies' interest to keep the under-developed countries in a state of dependency, and they accordingly used every means to oppose the diversification of their economies. To illustrate that statement, he would rely on the United States representative's own remarks in the current general discussion. Referring to the positive effect of American investments abroad, the United States representative had spoken at the 765th meeting of the part played in Venezuela by the United States Steel Corporation and in Liberia by the Firestone Tire and Rubber Company. But the activities of those two undertakings were typical examples of the colonialist exploitation of the under-developed countries by the capitalist countries.

69. Venezuela had considerable subterranean resources. If it could mine its iron and petroleum deposits freely, it would quickly become one of the most prosperous and advanced countries in Latin America. But the United States Steel Corporation took good care not to set up steel mills in that country; it simply extracted, at a low price, the iron ore which went to feed the United States iron and steel industry. It might thus be said, without fear of untruth, that the natural resources of Venezuela were in fact those of the United States.

70. Similarly, in Liberia the presence of the Firestone Tire and Rubber Company forced the country to follow

an economic policy prejudicial to its harmonious development. There, too, no industrialization was possible; rubber from Liberia was shipped to the United States in its crude form. The only benefit Liberia derived from those transactions which were so profitable to the American company were the paltry wages received by the 14,000 workers employed by the Firestone plantations. In exchange, the American company laid down the law in Liberia, as did the United Fruit Company in some Central and South American countries.

71. In Venezuela again, the Standard Oil Company of New Jersey paid its workmen one-fifth of the wages payable to workers in the United States; however, if its profits were reckoned in proportion to the number of workmen, they were found to be four times higher in Venezuela than in the United States.

72. Such evidence of the spirit which moved the American capitalists might be accumulated indefinitely: their sole concern was to provide themselves with raw material and labour as cheaply as possible in order to make the greatest possible profit.

73. The United States representative had estimated the capital investments made abroad during the last three years by the United States at \$3,500 million, but had omitted to state that during the preceding five years such investments had yielded profits of \$7,500 million. When, in concluding his speech, he had made an appeal to the under-developed countries, exhorting them to create a more favourable climate to attract foreign investors, he had, as it were, preached the doctrine of the interference of monopolies in the domestic affairs of under-developed countries.

74. Foreign monopolies notoriously exercised complete control over the raw material production of the under-developed countries; they were the cause of the disequilibrium of the economic structure of those countries, and they were interested in perpetuating the disequilibrium. One should therefore be extremely careful in thinking about "foreign investments" and never lose sight of the need for defending the interests of the under-developed countries against the selfish designs of the foreign monopolies.

75. In that connexion, it was interesting to note that the report prepared by the American Consultative Committee on Under-Developed Countries for the Director of the Mutual Security Administration, and published in May 1953, followed certain general lines which accurately revealed the objectives of American investments abroad. It was stated for instance that the American funds were essentially intended to encourage production—and to some extent the first processing—of the raw materials, and to develop means of communication in so far as they might be necessary to achieve the first objective. With regard to industry, the report in question recommended that industries should be assisted only if they were sure to pay their way: as it was difficult to establish, in under-developed countries, undertakings able to compete from the outset with foreign firms, that policy amounted virtually to maintaining the *status quo*. Unmistakably, such a policy aimed in no way at promoting the economic development of the under-developed countries.

76. The obvious worsening of the economic position of the under-developed countries was also largely due to the subordination of their economy to the military plans of the United States. Not only were they compelled to grant bases on their territories, but they had to submit

to the trade restrictions imposed upon them by the capitalist Power. The latter forbade them from trading with China, the USSR and the peoples' democracies; it did not hesitate, if occasion arose, to threaten sanctions, as had been seen when Ceylon and Indonesia had intended to establish normal commercial relations with the People's Republic of China. By thus depriving them of all new markets, the United States was able to impose its own will and to fix price levels itself. As had recently been pointed out in an Indonesian newspaper, the embargo on exports to China had produced enormous advantages for the United States, not only from a political but also from a financial point of view.

77. The same observation applied to Latin America, where prices were fixed by the American monopolies. The United States, with its vast reserves of raw materials, could easily discontinue imports of a particular commodity until the producing country, having come to the end of its resources, agreed to lower its price: examples of that had been Chile's copper, Bolivia's tin and the Dominican Republic's sugar. On the other hand, the American monopolies maintained the very high prices of the manufactured articles they exported: for instance the cost of the tractors sold to Latin America had been 44 per cent higher in 1953 than in 1947.

78. Among the documents submitted to the Economic and Social Council under agenda item 3, the report on *Commodity Trade and Economic Development* (E/2519) contained extremely interesting information, which deserved to hold the Council's attention. But the study had a serious lacuna in that it ignored entirely the unfavourable effects produced on the international market, and, consequently, on the economic development of the under-developed countries, by artificial restrictions such as "black-listing" and embargoes on certain goods.

79. The authors of the report proposed the formation of an international trade stabilization commission. The USSR delegation was not opposed to the establishment of such an agency, but thought that its terms of reference should extend to measures for the establishment and development of normal international trade relations; failing definite provisions to that effect, the commission's work might well be fruitless. The commission should moreover be broadly representative and include not only countries belonging to different geographical regions but also countries with very diverse economic systems.

80. His delegation did not think that the formation of the proposed body would be premature, or that its work would necessarily be doomed to failure. The ratio of the prices of raw materials to those of manufactured articles was one of the most urgent questions in economic development; his delegation urged the Council to support the claims put forward by the under-developed countries for fairer prices.

81. With regard to the flow of international private capital, he said that private capital might play a part in the development of the under-developed countries on condition that it was only an additional source of financing and especially that the foreign investments respected the legitimate interests and the sovereignty of the under-developed countries. The essential source of the economic development of those countries lay, indisputably, in the development of their national resources and the estab-

lishment of trade relations, on a fair and healthy basis, with all other countries.

82. Summing up his Government's position, he said that the Soviet Union's position on the question of the economic development of the under-developed countries was as follows:

83. First, the Soviet Union was prepared to develop its trade with the under-developed countries on the basis of equality of rights and mutual advantage. It was prepared to consider the conclusion of long-term contracts with the countries of Asia and the Far and Near East and other under-developed countries for the purchase of goods from those countries in exchange for Soviet goods, bearing in mind the possibility of agreeing on stable prices for a lengthy period and settling accounts in the national currencies of the countries concerned.

84. Secondly, the Soviet Union, anxious to promote the economic development of the under-developed countries, was prepared to supply them with industrial equipment and machinery. If the necessary agreement on conditions were reached, Soviet external trade organizations might supply industrial equipment and machinery on terms providing for deferred payment.

85. Thirdly, in connexion with its financial participation in the United Kingdom Expanded Programme of Technical Assistance, the Soviet Union was prepared to consider definite applications from the under-developed countries for technical assistance in such fields of great importance to them as the extraction and processing of mineral raw materials, the development of metallurgy, the construction of machinery, particularly agricultural machinery, the textile and food industries, rubber-processing undertakings, the construction of hydro-and thermo-electric power stations, flood control and the use of water resources for irrigation, technical assistance in anti-locust campaigns, and assistance in training and raising the qualifications of the workers in industry and other branches of the national economy.

86. Such measures for the rendering of technical assistance to the under-developed countries by the USSR might be carried out both by sending Soviet specialists through the United Nations Technical Assistance Administration for local consultation, and by giving specialists in the countries of Asia and the Far and Near East an opportunity to improve their qualifications at educational institutions and in undertakings in the USSR.

87. The Soviet delegation based its attitude on the assumption that it was the Council's duty to support the legitimate effort of the under-developed countries to develop and diversify their national economies. In that respect, the Soviet Union was prepared to make its contribution and assist in promoting the economic development of the under-developed countries.

88. The PRESIDENT proposed that the list of speakers should be closed, subject to the right of representatives to reply under rule 52 of the rules of procedure after the general debate.

It was so decided.

89. The PRESIDENT invited Mr. Nuradi, observer for Indonesia, to make a statement.

90. Mr. NURADI (Indonesia) thanked the Council for permitting the Indonesian delegation to participate in the discussion of a question which it considered vitally important. In order not to prolong the debate unduly, he would speak only on one of the recommendations

contained in the report entitled *Commodity Trade and Economic Development* (E/2519). That did not mean that he was not interested in the other recommendations made by the experts; on the contrary, he wished to congratulate the experts on their competent, realistic and constructive efforts to solve the urgent and difficult problem of economic instability. His delegation still believed that the only effective remedy would be an overall solution under which the agreements concluded so far in a somewhat haphazard manner to stabilize the prices of particular commodities would be replaced by a universal stabilization scheme covering all primary commodities in international trade.

91. The experts proposed that the Council should set up a trade stabilization commission; the Indonesian delegation unreservedly supported the proposal. The need to prevent a recurrence of the dark days following the 1929 crisis had never been so clearly felt as now; it was becoming increasingly urgent to prevent a repetition of a situation in which vast quantities of raw materials without outlets were accumulated, since if their artificially maintained prices were to collapse, they might upset world economy. The situation was distinctly disquieting.

92. The FAO working party studying the question of the disposal of surpluses had recently met in Washington to discuss the problem of rising food stocks. It had been instructed merely to recommend ways of liquidating existing stocks. Yet the problem was not a temporary one but would crop up again in future in an ever more acute form, as strikingly evidenced by the case of rice and wheat. The same troubles afflicted industrial raw materials and the countries of Asia and Latin America were already experiencing serious difficulties.

93. He had been glad to hear the United States representative's assurances to the Council that his country, aware of its obligations, would avoid taking any measure that might adversely affect world prices. Indonesia had recently concluded a tin agreement with the United States which would certainly offer temporary relief to its economy. The fact remained, however, that such agreements could not provide a lasting solution because they were too limited in scope and their conclusion depended all too often on the economic situation and political mood of the great Powers.

94. The economic future of the under-developed countries seemed precarious indeed, their terms of trade having taken an unfavourable turn during the last two years; that fact was all the more serious as it might give rise to social and political disturbances. The under-developed countries were not, however, the only ones to suffer; indeed, the advanced countries of America and Europe had been hardest hit by the collapse of raw materials prices in 1929. So long as the primary commodities were liable to abrupt and violent fluctuations in price and volume of production there could be no real stability for anyone.

95. Being deeply conscious of the seriousness of the situation, the Indonesian delegation urged the members of the Council to adopt effective measures without delay; in the circumstances the most effective measure was the establishment of the trade stabilization commission proposed by the experts. He did not think that the work of the commission would duplicate that of existing organs as some representatives seemed to fear. In fact, nothing had so far been done in respect of price stabilization, and existing international arrangements by no

means satisfied the clear need for stabilization. The Interim Co-ordinating Committee for International Commodity Arrangements had not been equal to its task in the past, and would probably do no better in the future. It was very unlikely that the bodies studying an individual primary commodity could achieve the desired stability; as a member of several of those study groups, Indonesia had found that they worked independently of each other and that the results they achieved cancelled each other out, to say the least.

96. Nor did separate arrangements for individual primary commodities offer a solution. As the experts pointed out, those arrangements were useful only as temporary expedients. The International Wheat Agreement was conclusive evidence that those arrangements tended to disintegrate precisely at the moment when stocks reached their highest level and when the arrangements would have been most useful to producers.

97. Reverting to the question of the desirability of setting up a new body, he stated that the terms of reference of the Interim Co-ordinating Committee for International Commodity Arrangements were not such as to give it sufficient authority and means of action. It had too few members. To change its terms of reference so as to widen its competence would be tantamount to setting up a new organ. The question therefore arose whether it would not be better to abolish it and to replace it by the trade stabilization commission proposed by the group of experts.

98. He did not think that the proposed commission's activities would duplicate those of the Economic and Social Council. Indeed, the commission would be able to observe day-to-day developments whereas the Council and existing bodies responsible for regulating trade in primary commodities could only meet at more or less regular intervals. As the group of experts had pointed out, the commission would function continuously and its duty would be, not to study the major problems of economic policy, but to build the framework for action designed to stabilize prices, leaving matters of detail to the Council.

99. Except for the recommendation regarding the trade stabilization commission, the experts' proposals hardly lent themselves to immediate practical application. That was why it was desirable that the commission should be set up, so that the valuable recommendations made in their report (E/2519) could be put into practice.

100. The unfavourable trend of the terms of trade of under-developed countries had caused widespread concern in those countries. The adoption of General Assembly resolution 623 (VII) and the work of the group of experts had raised hopes that co-ordinated action to stabilize the level of the prices of primary commodities and of manufactured goods would at last be undertaken. Those who had opposed the adoption of General Assembly resolution 623 (VII) from the very start, could say that they had warned the United Nations against the false hopes to which the provisions of that resolution might give rise. Yet, until the opening of the current session, neither the statement made on 14 October 1953 to the Second Committee of the General Assembly at its 259th meeting by Mr. Zellerbach, United States representative, in favour of international action to prevent abrupt fluctuations in the prices of raw materials, nor the Randall report which had recommended that the United States Government

study with other countries ways of reducing the instability, had given any indication that the experts' proposal for a commission would be rejected outright.

101. The Indonesian delegation was all the more disappointed by the United States representative's opposition to that proposal as, recently, a group of United States senators had recommended, after a visit to Latin America, that the United States Government should give full consideration to the question of fair prices for raw materials. Indonesia noted with regret that the United States preferred the question to be dealt with by bodies which had patently failed. It was wrong to argue that the establishment of a trade stabilization commission would serve no useful purpose. The need for concerted international action to stabilize prices of primary commodities had never been clearer. The re-

markable improvement in the economic position and balance of payments of the Netherlands, the United Kingdom and Western Germany during the past two years, had been accompanied by a slump in the under-developed countries and the exhaustion of their foreign currency reserves. It was to be feared that unless measures were taken to ensure lasting assistance to the under-developed countries, the prosperity of those European countries might be short-lived. The maintenance of a high level of employment and economic activity in the advanced countries was closely linked to the development of the under-developed countries.

102. The Indonesian delegation hoped that the Council would support the vitally important recommendation of the group of experts of which he had spoken.

The meeting rose at 5.40 p.m.