



CONTENTS

	Page
Agenda items 2 and 5:	
World economic trends	
Economic development of under-developed countries and financing of economic development	
General debate (<i>continued</i>)	71

President : Mr. Foss SHANAHAN (New Zealand).

Present :

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Denmark, El Salvador, Ethiopia, France, Italy, Japan, Jordan, New Zealand, Poland, Spain, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela.

Observers for the following Member States: Argentina, Austria, Belgium, Chile, Greece, Hungary, Indonesia, Ireland, Israel, Netherlands, Peru, Portugal, Tunisia, Yugoslavia.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Switzerland.

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, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

AGENDA ITEMS 2 AND 5

World economic trends (E/3501 and Add.1-6, E/3519, E/3520 and Add.1, E/3530; E/CN.12/565 and Add.1 and Add.1/Corr.1-3; E/CN.14/67; E/ECE/419; E/L.907, 908)

Economic development of under-developed countries and financing of economic development (E/3476, E/3492 and Corr.1, E/3513, E/3514)

GENERAL DEBATE (*continued*)

1. Mr. MICHALOWSKI (Poland) said he would confine himself to the most urgent problems, those arising from the co-existence of different economic systems and from the necessity to abolish the remnants of colonialism.
2. There were three groups of countries, each one having its own logic of development and its own problems. The first group consisted of the highly developed capitalist countries. Characteristic features of the United States economy had been a slow rate of economic growth and high vulnerability to cyclical fluctuations. His contention

that that slow rate of growth had become a permanent feature was supported by the unemployment rate, which had increased steadily from cycle to cycle. Although the present recession was alleged to have ended, investment in capital equipment was still lower than in 1956/57. The post-war evolution of the west European economy at first glance seemed satisfactory, but was the result of such temporary factors as post-war reconstruction, modernization of productive equipment and, latterly, the processes of economic integration. The specific forms which those processes were taking in western Europe were arousing anxiety in his country, as they were accelerating the economic growth of that region at the cost of a decrease in imports from other countries. Greater international economic co-operation was necessary to counteract such adverse effects of economic integration.

3. The second group comprised the less developed countries. Since colonialism had used economic means for the political domination of those countries and for the exploitation of their wealth, the United Nations in turn must use economic means to root out colonialism and eliminate its aftermath. The natural resources of those countries, which constituted a great reserve for the growth of world economy, had not hitherto been rationally exploited and so should be brought as rapidly as possible into the world economy. Progress made in that direction in recent years, however, had been insignificant, and the disproportion in industrial growth between the less and the more developed countries was actually increasing, as was shown by the figures given in the *World Economic Survey, 1960* (E/3501 and Add.1-6). Agricultural production too was lagging behind. Thus it would be seen that all the factors limiting the rate of growth of those countries were still at work.

4. The third group comprised the socialist countries. In the years 1956-1960, the total industrial production of those countries had risen annually by 13.4 per cent, as contrasted with 3.6 per cent for the United States and western Europe, thus proving that the socialist economic system could bring about speedy economic development by taking advantage of a properly organized division of labour. In that system the development of international economic co-operation played an important part, as was demonstrated by the fact that, in Poland, for example, for the past five years foreign trade had been increasing much faster than national income. The new five-year plan of Poland envisaged great increases in industrial and agricultural production, and consequently in exports. Although an increase in international economic co-operation would be advantageous to all three groups of countries, some groups in western Europe were creating difficulties which could not be justified by economic considerations alone; these difficulties must be overcome.

5. Measures currently being applied to accelerate the economic growth of the under-developed countries were wholly inadequate. Technical assistance could never be more than a useful auxiliary, and private capital could even impede independent economic development. The best temporary solution would be the stabilization of primary commodity prices, but endless discussion in the United Nations had failed to produce a practical plan to that end; a permanent solution could be achieved only by the industrialization of the under-developed countries. The industrialized countries could best help by promoting mutual trade, as that was the most important external means of furthering the development of a country's economy. Although credits were of secondary importance, his delegation supported the establishment of a United Nations capital development fund.

6. With regard to disarmament, there could be no doubt about its economic effects: it would greatly strengthen the spirit of international economic co-operation. Those theories which based economic development upon military spending were unquestionably wrong, as was demonstrated by the *World Economic Survey* analysis of the United States economy in 1960. The United Kingdom and France had also suffered economically from excessive military expenditure. The adverse effects were even more apparent in the under-developed countries, where military expenditure intensified the chronic shortage of capital and increased dependence on the western powers. The socialist countries, on the other hand, had no need of military expenditure as a stimulus for their economy. Military production replaced the production of investment and consumer goods to the detriment of economic growth and living standards. Disarmament would be to the advantage of all, since the funds released thereby could be used for solving the problems of under-development.

7. In recent years economic growth had come to be regarded as a matter of the first importance which went beyond the scope of any individual country and which could be dealt with only through economic co-operation on the widest possible scale. The Council should be the international body wherein the three basic groups of countries took action to eliminate the artificial obstacles to trade relations between the East and the West. But the clearer the emerging picture of the world economic situation was, the more evident it became how remote was still the goal of real international co-operation. The barriers to co-existence had been broken through in the field of the natural sciences; that the same success might soon be achieved in the economic and social sphere was his earnest hope.

8. Mr. DAJANI (Jordan) said that his delegation was particularly interested in the report entitled *Economic Development in the Middle East, 1958/59*,¹ as Jordan was preparing its five-year development plan, due to be launched next year. Unfortunately, that report was markedly inferior to the other documents of the kind put before the Council since it gave only a sketchy account of certain economic activities without attempting an analysis.

¹ United Nations publication, Sales No. 60.II.C.2.

With the resources available, much more could have been done and it was to be hoped that at its next session the Council would have before it a more satisfactory document.

9. Jordan was an over-populated country poorly endowed with natural resources, and it had been heavily dependent on foreign aid, particularly that given through the United Nations Relief and Works Agency. Although economic activity had increased substantially in recent years, owing to rising government expenditure, the gap between imports and exports had also increased substantially, while as much as one-third of the total labour force remained unemployed. However, national income had increased by 59 per cent as compared with 1954-1959, except in agriculture, where three successive years of drought had depressed incomes. The improvement in the last decade had been the result of foreign aid, and any reduction in income from that source would mean that a large proportion of the population would fall below subsistence level. Jordan needed a steady flow of foreign capital, and would continue to do so until a settlement of the political problems of the Middle East as a whole was achieved.

10. In the past decade, many of the less developed countries had established national planning and development machinery to make the best use of their limited resources. Although that was a step in the right direction, insufficient attention was paid in those plans to the efforts of the more efficient producers among other countries. For instance, certain less developed areas were striving not only to become agriculturally self-sufficient, but even to become exporters, without taking account of world price and supply conditions. In existing conditions, over-production and consequent depressed prices for certain grain crops — wheat was a case in point — were likely to continue. The inference was that, in countries where alternative production possibilities existed, wheat production should be reduced. To take another example, Jordan relied largely on exports of fresh vegetables and had been striving hard to enter some of the west European markets, but protection and preferences were an effective bar. That was a serious matter for Middle Eastern countries which depended on a narrow range of exportable commodities, and such countries were consequently tempted to look in terms of import-substitution and industrialization at all costs. Another deterrent to growth in many of the less developed countries had been the wasteful use of investment funds. In the past decade, huge amounts of private foreign capital had been invested in equipment and machinery which were not suited to the needs of the countries concerned or which were not used to full capacity. That was a mistake which could be avoided by advice from the appropriate international agencies; IBRD was already doing excellent work in that respect.

11. Mr. RODRIGUEZ LARRETA (Uruguay) said that the experience of the Latin American countries showed that expansion of foreign trade, with increased export earnings, was the main requirement for economic development. But countries which relied on foreign exchange earnings for expanding their industries and raising their standards of living were extremely vulnerable to changes

in the world market conditions, and the difficulties they encountered were intensified by fluctuations in the prices of primary commodities. As a result of falling commodity prices, the share of the less developed countries in total world trade had declined from 11.1 per cent in 1950 to 7.1 per cent in 1959; and the decline had been sharper for the Latin American countries than for those of other regions. Between 1950 and 1958, total oil exports from all oil-producing countries in the world had increased by 140 per cent. From Africa and the Near East alone they had increased by 53 per cent and from the Pacific area by 8.4 per cent, but from Latin America, excluding Venezuela, by only 4.4 per cent. The general decline in the share of Latin American exports in total world trade was reflected in the position of his own country, which was finding it increasingly difficult to dispose of its agricultural and livestock products on the world market. Reduced purchasing power in foreign countries was causing economic stagnation in Uruguay and seriously impeding plans for economic development.

12. The report on the promotion of wider trade co-operation among States (E/3530) gave a striking picture of the efforts made by the United Nations in recent years to improve the trade conditions of the economically less developed countries; but no appreciable improvement could be achieved without new remedies. Financial assistance and credit operations were of immense value, but financial assistance was necessarily limited and often subject to political restrictions and reservations; moreover, however generous it might be, it could never be regarded as a permanent substitute for increased earnings from foreign trade. Economic development based on high export earnings was infinitely more satisfying, since its success depended on the efforts of the less developed countries themselves and not on those of others. At present, however, primary commodities shipped to many industrialized countries were subject to import duties and quota restrictions; or even excluded altogether by maximum and minimum price regulations, discriminatory bilateral agreements, health regulations, or protection of domestic industries through subsidies. Like the New Zealand representative in the 1159th meeting, he would draw attention to the disquieting implications for the less developed countries of the policies at present pursued by certain countries of western Europe in regard to meat and agricultural products. If existing trade barriers and restrictions were not removed, they could lead to the total destruction of traditional trade relationships, with serious economic and political consequences for the whole of the free world.

13. A short-term improvement in the trading conditions of the less developed countries could be achieved by measures to curb fluctuations in commodity prices. But the only long-term remedy was a radical change in the commercial policies of the industrialized countries, as was suggested in chapter V of the *Economic Survey of Europe in 1960* (E/ECE/419), leading to a lowering of the barriers to imports from the less developed countries. Though Uruguay was numbered among the less developed countries of the world and had a population of only two and a half million, it did not impose any restrictions on imports of any type of goods from any country in the

world. It did not practise any trade discrimination and had renounced all discriminatory bilateral agreements, with the exception of the agreements with Brazil and Argentina, which related solely to currency arrangements. In August 1961, Uruguay was to act as host country to a meeting of the Inter-American Economic and Social Council, and the Uruguayan Government, together with the Argentine Government, had recently issued a statement in support of the "Alliance for Progress" plan which was to be discussed at the meeting. The plan envisaged both national and international action to remove existing obstacles to economic progress, and it might constitute the last chance of effecting a genuine improvement in the standard of living of the countries concerned and of dispelling the feeling of frustration which the Executive Secretary of ECLA had mentioned in his statement at the 1153rd meeting.

14. Mr. HESSELLUND JENSEN (Denmark) observed that, in view of the interdependence of the many economic factors involved in raising the standards of living of the developing countries, the United Nations had tried to approach the problem in many different ways through its various specialized bodies.

15. At its first session the Committee for Industrial Development had reported that industrialization was one essential method of promoting the economic development of the newly independent countries, particularly if the new industries were selected with due regard to the utilization of the natural abilities and resources of the countries concerned, and had easy access to national and foreign markets (E/3476). That conclusion was undoubtedly sound: for existing disparities between the developing and the advanced countries could not be eliminated by pursuing industrialization indiscriminately. It was essential for the less developed countries to concentrate on industries which in the long run could produce at internationally competitive prices, and to pay special attention in their development plans to industrial techniques which gave relatively high employment in proportion to capital outlay.

16. Diversification of industry was a lengthy process, however, and in the meantime it was essential to find some way of stabilizing the prices of raw materials, which were the principal exports of the developing countries. At its ninth session the Commission on International Commodity Trade had called for a further study of marketing and price stabilization operations, as well as of production and demand forecasting techniques (E/3497, paras. 131 and 105). His delegation agreed with the view expressed by the Commission, and endorsed by the representative of IMF, that some extension of the Fund's role as a source of compensatory financing for commodity fluctuations was desirable; that Member States had not fully tested the Fund's willingness to provide resources to meet difficulties arising from commodity fluctuations; and that they should be encouraged to do so (*ibid.*, para. 116).

17. Largely as a consequence of policies pursued by the industrially developed countries, there had recently been a decline in the prices of agricultural products, and the developing countries had not been able to earn the foreign currency they required, which was particularly

regrettable in view of the fact that increased output and exports could have been achieved with relatively small additional investment. His own country knew only too well how the foreign exchange earnings of countries relying mainly on the export of agricultural products were affected by the artificial incentives which certain industrialized countries provided to stimulate their domestic production of foodstuffs.

18. To promote development in accordance with the principle of helping those who helped themselves, it was essential to develop international trade both regionally and universally. There was ample scope for an extension of intraregional trade among countries in Asia, Latin America, and Africa, both in manufactured goods and other products. Europe and North America were not the only markets for goods produced in developing countries, although at the current stage they might seem to be the most important ones. The intraregional division of labour would in itself promote a mutual increase of production and higher living standards, and intraregional trade might in the long run prove to be more than a mere complement to existing trade relations with the industrialized countries. Much had been said about difficulties created by consumer resistance in neighbouring countries; but if the developing countries could produce goods of the same quality as those traditionally imported from other sources and sell them at competitive prices, they should be able to gain a foothold in the markets of the region, especially if modern marketing and advertising methods were used.

19. His delegation was glad to learn of plans for holding an Asian trade fair in 1963 or 1964, and noted with satisfaction the progress achieved in Asia and the Far East in the simplification of customs formalities, and the reduction of various other barriers to regional trade. The far-reaching plans for regional economic co-operation described by the Executive Secretaries of ECA and ECLA showed that countries in those regions were aware of the need for caution before investing the relatively scarce capital of each individual country in new production.

20. With regard to world trade conditions, his delegation fully agreed with the conclusion emerging from the report on the meeting concerning the promotion of wider trade co-operation among States, held in pursuance of General Assembly resolution 1519 (XV) (E/3530) that no considerable increase in universal trade would be possible unless barriers to the export of manufactured goods from the under-developed countries were reduced. Some of the advanced countries had not yet opened up their markets for such products and were still providing protection for their own industries; with the result that there was a wide disparity in the per capita consumption, in European and North American countries, of manufactured goods from the less developed countries, and "market disruption" had occurred in those markets which had been opened. That was a problem which could be solved only on a world basis, in order to avoid exposing the domestic industries of individual countries to the full weight of the export capacity of the developing countries.

21. With regard to the flow of private capital, his delegation hoped that the proposals contained in the Secretary-General's report on the matter (E/3492 and Corr.1)

could be carried out successfully. The Danish Government was particularly interested in the possibility of extending the activities of national credit insurance institutions, and creating new institutions of the kind on an international basis, in order to help developing countries to overcome balance-of-payments difficulties. Such arrangements should be made on a universal basis, since bilateral or regional schemes would tend to give rise to inequitable conditions on the world market owing to the fact that the amounts placed at the disposal of the borrower would be utilizable only in the particular creditor country or region concerned. The small industrialized countries could not afford to give such favourable credit terms as the great capital exporters and might thus lose business with the developing countries. Although his delegation was aware of the difficulties involved in reaching an agreement on such a system of universal guarantees against commercial risks, it would welcome any proposal to initiate studies on the subject.

22. The programme of providing aid for economic development in the form of food represented a welcome advance, since international effort had hitherto concentrated on safeguarding normal trade against the disposal of surpluses, without succeeding in solving the problem of surpluses as such. The accent should be put on the difficulties of the less developed countries, not on the problems confronting countries holding agricultural surpluses. At the same time care should be taken not to perpetuate past surpluses difficulties, nor to encourage producers in the more advanced countries to increase uneconomic production. His delegation fully endorsed the FAO programme as a means of expanding multilateral aid to the developing countries (E/3462).

23. He wished to emphasize the principle agreed upon by the Committee on a United Nations Capital Development Fund, that the object to be aimed at in co-ordinating assistance from all sources was the achievement of the maximum benefits to the economies of the less developed countries (E/3514, para. 23). The Danish Government had long been interested in the question of assistance to the less developed countries; in 1961 it had again raised its contributions to EPTA and to the Special Fund by almost 80 per cent, and intended further increases. Denmark was thus helping to reach the target of \$150 million for those two programmes, set as a preliminary goal. A special committee had recently prepared a report containing draft legislation on the expansion of Danish technical assistance, on the basis of which the Danish Government would shortly introduce a bill. The report had also recommended that total Danish contributions should eventually amount to 1 per cent of the national income. Moreover, the report had proposed improved methods of receiving fellows and had dealt thoroughly with an important technical assistance problem, the recruitment of experts, concluding that special training of experts should be organized by the governments of the less developed countries themselves. Similar conclusions had been reached by the Nordic Council, and a committee of cabinet ministers of the Nordic countries had been set up to study those questions. Denmark had also placed a special credit at the disposal of Chile, and the above-mentioned committee had recommended to the Danish

Government that that process should be continued by guaranteeing special export credits to the less developed countries on a larger scale. His country would continue to do its utmost to strengthen further the economic aid to less developed countries.

24. Mr. de la FUENTE LOCKER (observer for Peru), speaking at the invitation of the PRESIDENT, said he supported the remarks made by the observer for Chile at the 1160th meeting. It was time to put a brake on the armaments race, not only in order to safeguard the unity of the American continent, but also in order to divert the enormous sums spent on purchasing armaments to improving the lot of the under-developed countries.

25. He recalled the various steps that Peru had taken with that end in view over the past four years. At the fifth Conference of Foreign Ministers of Latin America, held at Santiago, Chile, in August 1959, the Peruvian Foreign Minister had stressed the need for reducing armaments. In November 1959 the President of Chile had stated to

the *New York Times* that no purpose was served by professing the will to live in peace and the desire to renounce the use of force whilst at the same time building up a load of debt for the generations to come by continued buying of arms. The President of Peru had subsequently sent a message to the President of Chile proposing that a meeting be convened in Latin America with a view to halting the armaments race, and, upon acceptance, had put his proposal to the Presidents of Argentina, Brazil, Colombia, Uruguay and Venezuela and had asked for their backing in the project which was so vital to the peace and unity of the continent.

26. It was therefore plain that the idea of limiting the buying of arms was fully in accord with the aims of the Peruvian Government and with all the efforts made by its Ministry of Foreign Affairs within the Organization of American States.

The meeting rose at 12.50 p.m.