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President: Mr. Daniel COSÍO VILLEGAS (Mexico)

Present:

Representatives of the following States: Afghanistan, Bulgaria, Chile, China, Costa Rica, Finland, France, Mexico, Netherlands, New Zealand, Pakistan, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Australia, Austria, Hungary, India, Israel, Italy, Philippines, Romania, Sweden, 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, International Bank for Reconstruction and Development, International Monetary Fund.

AGENDA ITEM 8

International commodity problems (E/3225)

REPORT OF THE ECONOMIC COMMITTEE (E/3291)

1. The PRESIDENT drew attention to the draft resolution recommended by the Economic Committee in its report (E/3291).

2. At the request of Mr. URQUIDI (Mexico), the PRESIDENT called for a separate vote on operative paragraph 2 of the draft resolution.

Operative paragraph 2 was adopted by 14 votes to none, with 3 abstentions.

The draft resolution as a whole was adopted unanimously.

3. Mr. GARCÍA OLDINI (Chile) said that his delegation, although in full agreement with the purposes of the draft resolution, had abstained from voting on operative paragraph 2 because it wished to stress the importance of the system of consultations referred to in the original draft resolution submitted to the Economic Committee (E/AC.6/L.245).

4. Mr. URQUIDI (Mexico) said that his delegation had abstained for the same reasons as the Chilean delegation. Provision should have been made for consultations.

AGENDA ITEM 5

Economic development of under-developed countries (E/3249, E/3258 and Corr.1 and Add.1-2, E/3259, E/3267 and Add.1, E/3272, E/3273; E/L.839, E/L.840)

5. Mr. GARCÍA OLDINI (Chile) said that the problem of the economic development of under-developed countries dominated the whole work of the Council, and had been mentioned in connexion with practically all the items of the agenda. Its discussion as a separate item, however, provided an opportunity to focus attention on some of the many aspects of the problem and on the suggestions made in connexion with them. The Secretary-General's report summarizing the means suggested for accelerating economic growth in less developed countries through international action (E/3259) showed that no less than a hundred suggestions had been made; few had led to any practical steps, but that was no reason for pessimism.

6. It was clear that the less developed countries must increase their productivity and develop their current activities as primary producers while increasing their efforts in the direction of rapid industrialization. In that connexion, the Expanded Programme of Technical Assistance and the Special Fund represented the most constructive United Nations contribution. However, technical assistance had achieved only a fraction of what it could achieve if sufficient funds were provided, and if it could overcome existing difficulties in recruiting experts. In the case of Chile, owing to lack of funds, essential programmes had been curtailed when in fact an increase of at least 30 per cent was called for.

7. In the matter of primary commodities, the Commission on International Commodity Trade was still groping its way, and it was too early to judge its work. The Interim Co-ordinating Committee for International Commodity Arrangements had accomplished valuable work. It had, however, concentrated on price stabilization which, although valuable, was only one aspect of the efforts to procure continued expansion of the world economy.

8. Positive action had been taken in that direction by the contracting parties to the General Agreement on Tariffs and Trade (GATT) at their 1958 session when they had set up three intersessional committees on expansion of international trade. The first was to prepare the

ground for a new general round of tariff negotiations of one year's duration, and was at present studying the suggestions of the less developed countries, which considered that the lowering of tariff barriers would stimulate production and exports only if the industrialized nations were prepared to negotiate on the question of revenue duties and other taxes levied on primary commodities, and were prepared to lower their customs duties on the importation of certain manufactured and semi-manufactured goods. The agricultural countries, which were not always economically poor, had adopted a similar attitude in the second committee, and had secured the adoption of a resolution calling for a thorough study of the whole problem of international trade in agricultural products. Consultations would be held by all the contracting parties to GATT, starting in September 1959, to endeavour to determine the effects of current agricultural policies on international trade and on the exports of primary producing countries. The less developed countries had secured the adoption by the third committee of a practical approach: a separate study of each commodity would be made by all the interested parties with a view to solutions which would be either unilateral or multilateral in character. He believed it was the first time that tariff negotiations, policy studies and consultations were being utilized as part of a general plan for expanding international trade as a means of fostering economic development, particularly in the less developed countries.

9. The regional economic commissions had been an unqualified success, and were playing an important practical role in all aspects of economic development. The Economic Commission for Latin America, for example, within the limitations of its resources, conducted numerous activities to that end. Its work had led to the conclusion of the agreement — now ratified — on a Latin American system for the multilateral compensation of bilateral balances (E/3246/Rev.1, paras. 7-9).

10. The problem of financing remained, however, the most important issue in the matter of the economic development of the less developed countries. Capital formation in those countries was too slow to ensure an adequate net annual increase in the national income. Outside aid was therefore essential, and repeated recommendations had been made both by the General Assembly and the Council regarding the encouragement of the investment of private capital. The countries concerned had been invited, in effect, to improve the climate for prospective private investment and to provide information on those sectors of their economy which required private capital. The Chilean Government had adopted legislation which gave ample facilities and safeguards to foreign capital. Private loans could make a useful contribution to the national development effort if their terms were fair and reasonable. The policy of reorganization being pursued by the Chilean Government to place the national finances on a sound basis and to promote monetary stability would no doubt help to make it increasingly possible to obtain capital on such terms.

11. The loans made by banking institutions represented in a large measure investments of private capital. The Secretary-General's study, *The International Flow of Private Capital, 1956-1958* (E/3249), pointed out (page 68)

that 132 out of the 204 loans made by the International Bank for Reconstruction and Development up to 30 June 1958 had involved private participation. The same was true of the Export-Import Bank. In the fiscal year 1957/58, its loans had attracted \$232.5 million of private capital. It was essential that the international flow of capital should increase, and both the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (Bank) had recently taken steps to increase their available resources in order to provide more effective assistance to the less developed countries.

12. The figures given to the Council at the 1081st meeting by the Managing Director of the Special Fund showed that the rate of investment in the under-developed countries was still very inadequate. At the present rate, the investment for the next ten years would total \$90,000 million; in fact, twice that amount was needed. The Special Fund was intended to deal with projects aimed at creating conditions which would make private investment feasible. In the past in spite of the measures adopted by governments to attract foreign capital, the international flow of private capital had been inadequate. The main obstacle to the creation of a United Nations capital development fund, as urged by the General Assembly in its resolution 1317 (XIII), was the difficulty of financing, and many ideas, including the use of agricultural surpluses or of the amounts saved as a result of disarmament, had been put forward on the subject. It had also been suggested that an international development association should be set up to grant long-term development loans on very favourable terms, and the United States of America was considering that proposal and holding unofficial discussions on the subject with other Member States. All the ideas put forward were practicable; each of them might provide a partial solution to the problem of financing economic development.

13. The General Assembly had temporarily suspended its efforts to find a solution to the problem, but had not abandoned its objective. As pointed out by the Managing Director of the Special Fund, the efforts to be made in the years 1960 to 1970 might well prove decisive in the struggle to enable one-half of the world's population to emerge from poverty to a reasonable level of living. It was therefore the duty of the Council to support the Assembly in its efforts and to draw its attention to existing possibilities, however limited, for carrying out such an essential part of the United Nations' task. To that end, his delegation, together with those of Costa Rica, Mexico and Venezuela, had introduced a draft resolution (E/L.840) which they hoped would be approved by the Council.

14. Mr. THIAM (France), commenting on the Secretary-General's report summarizing various suggested means of accelerating economic growth in less developed countries (E/3259), said that, as Minister of Finance, Economy and the Plan of the Mali Federation (Senegal-Sudan), he was particularly interested in development problems. The African peoples had long viewed their situation passively, but as a result of the advance of economic knowledge and of international activities, they were realizing that no country was condemned to perpetual

stagnation. The recent political reforms, especially in the West African countries that were members of the Community, had made it possible for the African peoples to manage their own affairs, and had at the same time obliged them to face up to the problems of underdevelopment. Those countries were taking a lively interest in the future activities of the Economic Commission for Africa, and were hoping that the Executive Secretary would visit them shortly.

15. Studies carried out by the United Nations showed that most of the under-developed countries depended on the export of one or two primary commodities. Thus the entire economy of Mali, and more particularly of the State of Senegal, at present rested on a single commodity — the groundnut. In 1958, output had been 830,000 metric tons. Senegal was the world's second-ranking producer, and groundnuts at 41 francs per kg brought in an income of 35,000 million French francs per annum. Unfortunately, the value of the groundnut had progressively declined since 1935. The quintal (100 kg), which in 1935 had been equivalent in value to a Dakar labourer's wages for eleven eight-hour days, or to 35 metres of cotton goods, was now equivalent only to seven working days, or to 31 metres of cotton goods. The volume of exports of groundnuts was likewise subject to marked fluctuations. The French Republic had adopted a number of measures to ease such difficulties by providing economic support for certain products, by reserving a preferential market for them and by buying them at rates higher than the world rate. That, however, could not take the place of concerted international action, which should be concerned, not with a particular oil-yielding commodity, but with the entire group of such commodities.

16. He gained the heartening impression from the Secretary-General's report that there would be no further delay in undertaking concerted action with respect to primary commodities, but he felt that the economy of the under-developed countries should be influenced in other ways also, more particularly by diversifying production to the fullest possible extent.

17. Most of the developed countries had attained their present economic levels empirically over many centuries and at the cost of numerous experiments. If the new countries wished to enter the modern economic stream they would have to take short cuts. No doubt the experience acquired by those who had preceded them would spare them many errors, but they would nevertheless have to travel in one or two generations the distance which the others had covered over several centuries. They would succeed only by a development technique essentially comprising two operations. In the first place, as complete as possible an inventory of all the country's resources was needed, not only of the resources immediately available, but also of those which seemed exploitable on a more or less long-term basis. In that connexion, he expressed his delegation's satisfaction that the Managing Director of the Special Fund had assigned to the Fund the task of financing projects designed to take stock of the resources and the possibilities for their exploitation. Secondly, a plan should be drawn up defining the objectives to be attained within

a specified period of time. However, before a project was included in the plan, all its implications should be studied. Thus, the development of an unhealthy region would sooner or later bring about a growth of population that would raise problems of housing, employment and public health. Those problems would have repercussions on public finance, and their solution would entail risks of inflation that would need to be given careful consideration. The most important problem for the under-developed countries, therefore, was the financing of economic development.

18. With regard to capital investments, in the report of the Secretary-General it was suggested that the under-developed countries should introduce measures designed to improve confidence in those seeking to invest capital (E/3259, para. 71). Mali, like the other African republics belonging to the Community, had taken appropriate steps to ensure that companies investing in the territory would benefit by a long-term taxation system. However, recourse to private capital had so far opened up only limited prospects, partly because there was often a certain reluctance to invest capital in little-known countries, and mainly because investors, by definition, could participate only in profitable enterprises. But the development of a country comprised a whole series of operations of a public character (improvement of education and public health, development of communications, administrative machinery) from which no direct financial benefit could be expected. Such operations were both the most costly and the most urgently needed, being a necessary condition for the others. Only one recourse remained open to the under-developed countries, therefore — namely, assistance provided by other governments, either directly (in the form of machinery, foodstuffs, financial subsidies, technicians, etc.) or indirectly through the maintenance of the prices of certain commodities. That assistance could be either bilateral or multilateral. Bilateral assistance afforded reciprocal advantages, but it must not result in more or less concealed control over the country assisted, and development must not be directed by the assisting country in a manner not fully in accord with the interests of the country assisted. The industrialized countries appeared to be increasingly aware of the situation. Since the Second World War, France had followed a path which led through free negotiation to a just equilibrium. Moreover, there was an awareness in Africa of the importance of French collaboration. France's contribution for the territories in French West Africa alone had amounted under the first two five-year plans to 240,000 million french francs.

19. He noted with satisfaction the growing scope of multilateral action and the recent decisions to increase the capital of IMF and the Bank (see E/3197/Add.1 and E/3198/Add.1). However, multilateral action was still only in its infancy. If it was to be extended, an immense effort would be required from all the countries which were in a position to participate in that peaceful struggle but were scarcely enthusiastic at the prospect. However, they were not being asked to provide charity, but to realize that their own interests in the long run were inseparable from those of mankind as a whole.

20. Mr. URQUIDI (Mexico) drew attention to the importance of the purposes of General Assembly resolution 1316 (XIII), in view of the persistent dissatisfaction at the slow rise in the level of living in the less developed countries. In considering new methods of joint action, however, it might perhaps be better to begin by measuring the scope of the problem of economic development and assessing the needs and the minimum resources by which they could be met, rather than wasting time on minor points of procedure and interpretation, or merely considering means of achieving results which could at best be described as only partial.

21. When the under-developed countries drew attention to a fundamental problem calling for international co-operation, they were told that the matter was progressing satisfactorily, that an international conference would solve the difficulty, and that certain countries afforded an example that others should follow. The time had come to get down to realities. The Managing Director of the Special Fund had shown (1081st meeting) that in order to increase the mean income per inhabitant by 2 per cent, the developed countries would have to invest \$6,000 million annually in the under-developed countries, and that the latter should endeavour to increase their resources to the greatest possible extent. Such sums appeared enormous, but they were modest by comparison with the cost of interplanetary rockets or of destructive armaments. The fact that there were 1,000 million individuals with an average annual income of \$120, while the income of the remainder was more than six times as high, gave rise to considerable anxiety. Bearing in mind that disparity, the Council should, while gradually improving the statistical data, initiate studies for the preparation of long-term projections of the world economy and set certain general targets, as the representative of the Netherlands had suggested (1069th meeting).

22. The problems of development should not be considered as separate elements. There was no point in pretending that the monetary difficulties of the under-developed countries were unrelated to their development problems and that national financing by savings was unrelated to the problems of primary commodities. Likewise, there must be over-all solutions which could be translated into concrete measures. Much had been done both through the United Nations and directly, but surely not enough. The Council should concern itself primarily with long-term forecasts and trends; the working out of over-all policies based on more precise quantitative targets; the relationship between problems — e.g., between primary commodities and development financing; the most efficient method of planning development so as to save both money and time; the procedures by which fresh resources could be found for technical assistance programmes and programmes for the dissemination of scientific knowledge and cultural achievements; and finally, ways and means of expanding the international financing of development.

23. At the current session the Council's attention was mainly focused on the financial side of the problem. It was paradoxical that after so many years international co-operation had not been able to solve the one problem of development which by its very nature called for

concerted action — namely, the problem of finance. Despite the great progress achieved in international financing and in channelling the flow of private capital, the fact remained that the point of view of the party furnishing capital was still paramount. Plans such as the harnessing of inland water-power resources, the construction of low-cost housing, the expansion of municipal and public-health services, and agricultural credits, had no access to the major sources of finance. The discussion of methods of international financing under United Nations auspices had come to nothing because it had been based on a false premise: that there must be some connexion between that method of financing and the reduction of expenditure on armaments. His delegation shared the view expressed by the Secretary-General (1068th meeting) that the time had come to keep the two concepts apart. The Council should respond to the General Assembly's appeal for the establishment of a capital development fund (General Assembly resolution 1317 (XIII)). None of the existing international institutions catered for all the objectives which such a fund would cover. Furthermore, bilateral and regional experiments confirmed the enduring and useful nature of such operations as it would carry out. That was why his own country, together with three other Latin American countries, was submitting the draft resolution contained in document E/L.840.

24. Mr. MIRGHANI (Sudan) said that although it was comforting to know that there was a growing recognition of the world-wide damage caused by pronounced fluctuations in commodity prices, the problem had given rise to a sense of extreme urgency in the under-developed countries. For example, his country had not been able to begin its third five-year development plan owing to the steep decline in commodity prices and its failure to obtain adequate international assistance.

25. His delegation was convinced that the under-developed countries would have to make available from their own resources the maximum amount of funds needed for their economic development. At the same time, outside assistance was indispensable. While he realized that the insufficiency of outside resources was not the only factor to be considered and that much remained to be done in the field of training, in public administration and in the institutional structure, he wished to stress in connexion with the item under consideration that the international resources available for the economic development of the under-developed countries not only were inadequate, but suffered from other short-comings.

26. The resources of the Bank were insufficient, even after the recent increase in its capital. Moreover, the commercial interest rates charged by the Bank made loans very expensive to the under-developed countries, and it should be remembered that with rare exceptions the Bank provided only the foreign exchange element required by the programmes it approved. The resources of the International Finance Corporation were quite low. The Soviet Union was now giving assistance to under-developed countries but its programme dealt with only a small part of the problem. The United States of America was generous in its economic aid programmes, but it could not meet all the requirements not covered

by other sources. The Expanded Programme of Technical Assistance had done valuable work but by its very nature it could not provide the substantial amounts needed to finance productive schemes. The new Special Fund was modest in scope, and he hoped that it could be developed.

27. Unfortunately, in spite of recent efforts to promote the flow of private capital to the under-developed countries, it was still meagre; there were more lucrative investment opportunities to be found in the developed countries. The idea of an international development association had aroused considerable interest. In the view of the under-developed countries, if such an institution was created, it should have very large resources, grant long-term loans at low interest rates and accept repayment of interest — and possibly principal — in part in local currencies.

28. According to an interesting publication of the General Agreement on Tariffs and Trade (GATT) a number of experts had stated that a very appreciable increase in capital transfer to the under-developed countries would be needed to accelerate their development;¹ it should be in the form of grants rather than loans. In that respect his delegation hoped that serious attention would be given to the proposal put forward in some quarters that 1 per cent of the national income of the developed countries should be set aside to finance economic development in the under-developed countries.¹

29. Mr. PHILLIPS (United States of America) said that his delegation welcomed the annual consideration of the present item because it afforded an opportunity to re-examine ideas about economic development and programmes of action designed to further it. The tragedy and destruction of two world wars had led to general recognition of the fact that unless all peoples could look forward to economic and social improvement, none would be secure in the enjoyment of the benefits of modern civilization. It was therefore natural that the Council should set as its principal task the economic development of the under-developed peoples. While its members had sometimes differed as to the soundness of particular proposals, there had been no disagreement whatever on the vital importance of such development.

30. Many factors had contributed to revolutionize the world's outlook concerning the problems of the under-developed countries. In recent years the attainment of independence by twenty-two nations had given their peoples a new impetus to strive for a better life. The spread of rapid means of communication had brought home to people everywhere the contrast between the extreme poverty of many lands and the comparative affluence of others. There was increased recognition by developed countries that the promotion of the economic development of other countries was in harmony with their own enlightened self-interest and was essential to the achievement of an enduring peace. An international social conscience concerning the problems of the under-developed countries had gradually emerged, and the work

of the United Nations, particularly of the Council, had helped to unify the thinking of Member States on the paramount need for advancing economic development.

31. However gratifying the progress achieved since the creation of the United Nations might be, it had only laid the foundations for the main task: to help the under-developed countries to achieve sufficient economic momentum to move forward on the basis of their own efforts and resources and without extraordinary assistance. While the basic problems of economic development related to the capital needs of the under-developed countries, it should not be forgotten that economic growth was a complex process directly affected by a wide variety of factors. In many countries, century-old habits and social institutions would have to be modified, diseases which had long sapped human energy would have to be controlled or eliminated, widespread illiteracy would have to be abolished, and new skills would have to be taught to the people who were to become the workers and technicians of a more modern and vigorous economy.

32. However, he would be the first to emphasize that one of the most pressing world problems was that of assuring sufficient capital for the economic development of the under-developed countries. The problem was due, in large part, to the fact that in the early stages of development the possibilities of domestic capital formation for basic investment and the ability to absorb outside capital for constructive uses might be quite limited. Therefore, the notion that the injection of a given amount of external capital would lead to a specified rise in the standard of living should be regarded with caution. However, one of the most hopeful aspects of the situation was that as development proceeded it generated a growing capacity for internal saving and for the productive and profitable use of both domestic and foreign capital.

33. After briefly reviewing his government's large contributions to the economic development of under-developed countries, he pointed out that the significance of those contributions was even greater when measured against the background of the extremely high cost of providing for public services and social welfare in the United States and for the maintenance of national strength and freedom in a politically disturbed world. The American people were heavily taxed at the national, state and local level. They would be more than happy to be relieved of the burden of defence expenditure if that could be done without jeopardizing their own security and that of others. In spite of that situation, and of a budgetary deficit with its attendant inflationary pressures, the people of the United States had continued to show a keen desire to assist the under-developed countries and a willingness, through their elected representatives, to vote the necessary funds.

34. The scope and variety of United States assistance programmes was the result of a continuing search for increasingly effective and practical ways of assisting economic development. His government recognized that the international programmes established for that purpose might not meet the wide variety of needs, and that was one reason why his delegation had sponsored the proposal at the last session of the General Assembly, adopted as resolution 1316 (XIII), calling upon Member

¹ GATT, *Trends in International Trade: A Report by a Panel of Experts* (Sales No.: GATT/1958-3), p. 51.

States to undertake a review of accomplishments to date and to chart their future courses of co-operative action. As indicated in the United States memorandum submitted pursuant to that resolution (E/3258, part II, sect. II), the United States was actively consulting with other countries on the possibility of establishing an additional multilateral programme to assist the under-developed countries, in the form of an international development association affiliated with the Bank. Such an association might make long-term development loans with flexible terms of repayment, including repayment in local currency. Should it be established, it would provide in a substantial measure for the kind of international financing which had long been the subject of discussion in various United Nations bodies.

35. His government welcomed any indication that private capital was resuming its historic role of providing external aid for economic development. The Secretariat's informative report, *The International Flow of Private Capital, 1956-1958* (E/3249), provided encouraging evidence in that direction. According to the report, the amount of private capital from the main capital-exporting countries invested abroad had risen steadily in recent years, to \$5,700 million in 1957. Though the bulk of that investment had come from the United States, it was gratifying to note the re-emergence of western Europe as a supplier of an appreciable volume of capital to the outside world. That development should, directly and indirectly, bring increasing benefits to the under-developed countries. While it was true, as the report pointed out, that private foreign investment had not yet flowed to any substantial extent to countries which had the lowest incomes and the poorest known natural resources, that disadvantage was being off-set to some extent by a flow of government loans and grants to those areas. As their development and capacity for capital absorption increased, they could be expected to prove more attractive to private investors.

36. An important development to which the report drew attention was the growing association of public and private capital. Perhaps the most notable example was to be found in the operations of the Bank, which now obtained most of its loan funds from public issues offered to private investors in many countries.

37. Before the First World War, private foreign investment had been mainly in the form of investment in public issues of foreign bonds. While there had been some revival of interest in portfolio investments, the predominant form of investment in recent years had been direct investment. As the report noted (page 25), United States direct investments abroad, from 1953 to 1957, had been about ten times as great as the net out-flow of United States portfolio capital. It had often been pointed out that direct investment was particularly valuable for the process of development. It brought with it foreign technical knowledge and managerial skills; it afforded employment and training opportunities to the local population; and it conferred other benefits on the recipient country not revealed by statistics.

38. Although outside help given and accepted in a true spirit of international co-operation had fully demonstrated its value, ultimate success or failure in achieving economic progress would depend on the vigour and determination of the peoples of the under-developed countries themselves and the ability, character and devotion of their leaders. The task would require continuing joint efforts on the part of both under-developed and developed countries over a long period of time. Never in its peacetime history had the world faced a comparable challenge. The American people and the United Nations had accepted that challenge, and he believed they would meet it successfully.

The meeting rose at 12.55 p.m.