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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: Austria, Belgium, Chile, Czechoslovakia, Greece, Hungary, Indonesia, Israel, Netherlands, Tunisia, United Arab Republic, Yugoslavia.

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

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.

The representative of the International Atomic Energy Agency.

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, E/L.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. CERULLI-IRELLI (Italy), recalling that his country was that year celebrating the centenary of its unification, said that in 1861, Italy had had to contend in

its advancement with obstacles that were physical (the nature of the soil, the lack of raw materials), political (centuries of foreign domination and a highly fragmented territory) and social (the social structure of its population). It had remained a country of agriculture and craft industry until the extension to the whole territory of the low tariffs enjoyed by the Piedmontese with other countries had brought about radical changes in its economic structure. The period 1881-1913 had marked the birth of a full-scale industry and the upsurge of economic expansion and also the appearance of a trade deficit, offset by tourism and by remittances from Italians working abroad. The increased rate of economic development during that period had been sustained by technological advances and the harnessing of hydroelectric resources. The vicissitudes of the First World War had not interrupted that trend. National income, which had averaged roughly 112,000 million (1938) lire per annum between 1920 and 1930, had risen to 150,000 million between 1930 and 1940, but, as a result of the Second World War, had fallen back to 71,000 million in 1945; by dint of a renewed effort and accompanied by the help of friendly countries, it had again reached 150,000 million in 1950. In 1961, per caput real income had risen to two and a half times the 1861 figure, but more than half of that increase had been achieved between 1950 and 1960. Also significant were the changes in the structure of the national income. Current consumption accounted for two-thirds of the country's production as compared with four-fifths in 1861. Savings had risen from zero in 1861 to 15 per cent in 1961. Expenditure on goods other than foodstuffs had increased from 25 per cent of income in 1861 to 40 per cent. Those phenomena had left a wider margin for investment and exports. Italian investments in heavy industry, which had been less than one-tenth of income in 1861, currently exceeded one-fifth and were among the largest in Europe. The deficit in the balance of payments had been eliminated, as a result of increased sales abroad, including those to the developing countries, and also of the fact that current exports included both capital goods and manufactured goods. Italy had outgrown its traditional agricultural structure. Industry now occupied a predominant position and, thanks to technological progress, the country had been able to shake off the inferiority complex created by its lack of raw materials.

2. The Italian Government had recently been weighing up past achievements and future tasks, and had come to the conclusion that the principles which had governed its economic and social policy in the past ten years should be retained.

3. It was a conviction of the Italian Government that it was essential to maintain a firm policy of monetary stability, as a result of which it had achieved three signifi-

cant successes. First, at the beginning of 1960 it had introduced limited convertibility for the lira. Secondly, at the end of January 1960, the value of the lira had been given a definite basis for the first time since 1936, and an official rate of exchange with the dollar had been fixed. Lastly, in February 1961, Italy had accepted the obligations deriving from article VIII of the articles of agreement of IMF and involving the introduction of complete convertibility. The problem of retaining a fair balance between the need for stability and the need for development had been satisfactorily solved in Italy, as was borne out by the increase in voluntary savings and the high growth rate of national income.

4. The Italian Government was convinced that, so far as monetary stability permitted, it should continue a policy of productive expansion and of developing employment opportunities and income, which had made possible a complete economic recovery. During the period under review, agriculture had been affected by bad weather, but industrial production had again sharply advanced, by 13.6 per cent. National income had risen by 8.8 per cent in money terms and by 6.8 per cent in real terms. By 1970, a national income three times that of 1938 and twice that of 1950 could be expected. The level of living had risen with the increase in personal incomes. The creation of 443,000 new jobs had made it possible not only to absorb the increase in the economically active population, but also to reduce unemployment, although much remained to be done in that field.

5. It was the Italian Government's intention also to continue its policy of reducing regional imbalances — again, in so far as monetary stability permitted. Since 1950, it had been grappling with the problem of developing the southern areas, and up to 1960 the country's energies had been directed to the building of an economic infrastructure. The Government had, however, found that despite a clear, if modest, improvement of the position in the south, the gap between north and south was widening owing to the accelerated rate of economic progress in the north. It had therefore decided that the time had come to intensify investment in the south and to improve the distribution of investment by concentrating on key sectors regarded as essential for more rapid development. Hence the "green plan" for the reconversion and modernization of Italian agriculture; hence also the promotion of industrialization by specific four- or five-year investment programmes and by state-aided schemes. The Government was also aware that in its efforts to develop the less-favoured areas it had to proceed from a broad conception of the whole economy, and it had therefore taken steps to promote cultural and scientific development and vocational training.

6. His government realized that the world was entering a period of economic and political inter-penetration — as exemplified by the Common Market — which would lead to competition not only among different economies, but also different cultures. In its view, development, while concerned with mechanical principles, nevertheless had human aspects. It would therefore strive to prevent too rapid a transformation from jeopardizing the stability of the family group, which constituted the base of Italian society.

7. The Italian Government was also alive to the increasing degree of involvement of the national in the international economy. Externally, its policy was an extension of its internal economic policy: stability and a balanced development of world economy. Those were the aims of the United Nations and, by contributing to international action within that framework, the Italian Government believed it was fulfilling its duty as an active member of the international community. Within the European Economic Community and the Organization for European Economic Co-operation, Italy had always argued the necessity of closer co-ordination of national economic policies, particularly by means of anti-cyclic measures aimed at strengthening international economic and monetary stability and at preventing the efforts of the various countries from neutralizing each other. Mention must be made of the contribution made by Italy during 1960/61 to the maintenance of international monetary stability by the re-absorption of short-term bank indebtedness abroad. The Italian Government was entirely satisfied with the closer collaboration which was springing up between the central banks within the framework of IMF.

8. The problem of the economic development of less favoured regions should be tackled without delay, for the sake of a balanced expansion of the world economy. In the last analysis, that problem could be solved only by the efforts of the countries concerned, but those efforts must be assisted by external aid, to act as a catalyst in the initial period before development acquired its own momentum. The industrialized countries must increase the volume of aid, both bilateral and multilateral, and above all improve its quality and effectiveness. Overlapping must be avoided, and there must be a linking-up of the various schemes so that they might have a multiplying effect. Although the problem of development had many specific aspects (credit, finance, investment, commerce, and education and vocational training), it was also a general problem and aid must also be both general and flexible.

9. To give that aid a flexible character, the various programmes of assistance must be more closely co-ordinated and recipient countries must be induced to make appropriate plans and carry out adequate internal reforms. Assistance zones extending beyond national frontiers might also be formed, such as that covered by the Latin American Free-Trade Association. It was also conceivable that assistance to specific geographical zones could be given predominantly, but not exclusively, by a particular country more fitted than any other, for historic reasons, or by psychological affinities, or by cultural, commercial or economic ties, to assume responsibility there.

10. The Italian Government would not fail to support joint action to help the developing countries, within the limits of its capacity and with due regard for the needs of its own less-favoured areas. All measures of assistance could be useful; the important thing was to channel them in the right direction, which presupposed a thorough examination of the economic situation in the country assisted from the standpoint of its capacity not only to pay back, but also to use the aid in one form rather than another. Thus aid must be preceded by adequate technical co-operation and preinvestment. In that flexible concept of assistance, appreciable provision must be made for the

granting of loans, guarantees, and, in general, all facilities aimed at intensifying trade relations with the developing countries.

11. In regard to bilateral assistance, Italy had recently taken an important step in the matter of the financing of credits for exports of goods and services, the execution of work in other countries and assistance to developing countries. That measure established new forms of direct financing granted to foreign importers by specialized credit institutions. Those new forms of financing, which were given a special state guarantee, differed from the traditional type in allowing financial credits to be granted for as long as ten years — and, in exceptional cases, for even longer periods — and could be afforded to developing countries, and utilized even on a multilateral basis. That type of operation would allow of Italian participation in international consortia for financing assistance to developing countries.

12. As to multilateral assistance, Italy had contributed and would continue to contribute to the efforts of the various international organizations concerned. It had in particular announced its intention of raising its annual contribution to EPTA and the Special Fund to \$2,250,000, exclusive of its contribution to IDA. It had also supported General Assembly resolution 1521 (XV), which laid the foundations for a study of the establishment of a capital development fund.

13. Mr. WADE (New Zealand) said that in western Europe there was an air of affluence and high activity; North America, though still suffering the effects of a mild recession, also displayed a general air of prosperity. However, the effects of the down-turn in North American activity were painfully evident in many primary exporting countries. A slight increase in commodity prices in 1959 had prompted many of those countries to ease restraints on imports, grant tax relief and allow credits to become more freely available. In his own country that favourable trend had stimulated a marked increase in consumption and hence in imports. But that increase in foreign exchange expenditure had taken place just at a time when world markets for primary commodities were beginning to weaken. There had followed a downward drift in the prices of food and raw materials, together with an accumulation of surpluses. The dreary spectacle of deterioration in the trade balances of primary exporting countries and pressure on their external exchange reserves had been repeated. Comprehensive remedial measures such as the restriction of public spending, credits and imports, had once more had to be applied, while on the positive side his government proposed to borrow overseas to finance essential capital development and to encourage further trade and industrial development.

14. His delegation wished to concentrate on a subject reviewed in the Secretary-General's report on trade relations between under-developed and industrially advanced economies (E/3520 and Add.1) and in the *Economic Survey of Europe in 1960* (E/ECE/419): those policies of industrial countries which restricted trade in primary commodities exported not only by less developed, but also by relatively developed countries; and the degree of protection afforded to the agricultural sector. The analysis of

the agricultural policies of the member countries of EEC showed a continued and rapid movement towards self-sufficiency, and the Secretary-General's report showed how North America had reached the later stage of accumulation of unsaleable surpluses. In both areas the same phenomena were observable — a drift of population to the towns, the application of scientific methods to agriculture and a sharply rising productivity. But where social adjustment had failed to keep pace with the tendency for urban incomes to rise faster than rural incomes, pressures had developed for the granting of agricultural subsidies. Such subsidies had greatly encouraged production, but at prices substantially higher than world market prices. There had ensued insulation from world markets and suppression of access to the local markets by efficient producers from outside. In countries with a high level of protection the growth of production relative to consumption was making their dependence on imports more and more marginal. The trade prospects for efficient producers in the coming decade were therefore alarming.

15. New Zealand had specialized in producing perishable foodstuffs for sale, mainly in Europe, and over the years had built up the most efficient livestock industry in the world, livestock products accounting for the greater part of its export proceeds. His country's reliance on overseas trade could be gauged from the fact that one-third of all goods used in New Zealand came from overseas. But the policy of self-sufficiency, subsidization and import exclusion as practised in most of Europe had led to the accumulation of high-cost surpluses, unsaleable outside the countries of origin except at dumped prices. *The Economic Survey of Europe in 1960* recognized that the burden of those surpluses was borne indirectly by the efficient traditional world traders, whose difficulties had been increased by dumping of surpluses on the world's few free markets.

16. Fortunately, the *Survey* and the Secretary-General's report pointed to the possibility of a solution: a moderate reduction in the average level of price support in the industrial countries, as well as measures designed to increase consumption, could result in quite substantial increases in the volume of trade in the commodities affected. International trade would also benefit. Domestic saving for investment was too low in many countries and, since they had to import capital goods, they could not pay for their import requirements out of their export earnings, and had to have recourse to costly foreign loans. Countries highly dependent on a narrow range of primary commodity exports needed above all to expand their export prospects.

17. The crucial factor in west European production and consumption trends would undoubtedly be the approach adopted by European Economic Community under its common agricultural policy, and the degree to which reasonable account would be taken of the interests of outside countries. As the GATT panel of experts had noted in its report,¹ numerous pockets of uneconomic peasant production persisted in many west European countries. A gradual reorganization of the structure of agriculture and a speeding up of the transfer of surplus labour to the

¹ General Agreement on Tariffs and Trade, *Trends in International Trade*, Sales No. GATT/1958-3, para. 253.

industrial sector would both increase national productivity and reduce the need for protection. However, industrial countries showed an extraordinary dichotomy in their approach to trade in industrial goods and agricultural commodities. With industrial goods, they aimed at expanding trade and at giving exporting countries some certainty about conditions of entry for their exports by imposing restraints on internal subsidies and refraining from dumping. Where foreign goods were to be discriminated against, they imposed tariffs, resorting to quantitative restrictions only where there were balance-of-payments difficulties. But in agricultural policy, the liberal philosophy went by the board, and the industrial countries practised heavy subsidization, dumping of surpluses and the virtual exclusion of foreign products and highly restrictive import controls, even in cases where there was no balance-of-payments difficulty. There was a danger that such a double standard of behaviour would force others also to become more inward-looking and to seek self-sufficiency.

18. But that compartmentalization would sooner or later break down, and there was an opportunity to take steps which were "trade creating" rather than "trade diverting". Europe's record of prosperity, its return to currency convertibility, its general disposition in favour of multilateral trade should influence the governments concerned towards policies which would spread the benefits of international division of labour, help to hold costs down, increase the total volume of world output and prepare the ground for an expanding world trade.

19. Mr. USTURIO (World Federation of Trade Unions), speaking at the invitation of the PRESIDENT, said that the upswing in the world economy in 1960 had been due largely to the very high rates of development achieved by the socialist countries, where output in 1960 had been 13 per cent higher than in 1959. The socialist countries were now overtaking the capitalist countries, not only in their rates of economic development, but also in absolute increases in the output of several primary industrial products, such as coal, steel, cast-iron and cement. The economic growth of the socialist countries had not only helped to raise the level of living of the peoples of their own countries, but had also made it possible to increase the amount of economic assistance they supplied to the less developed countries without any political and military conditions.

20. One characteristic of the economic upswing in 1960 had been the uneven rates of development in different countries and in different parts of individual countries. While the increase in industrial output during the period 1953-1960 had been 179 per cent in the Federal Republic of Germany, 181 per cent in Italy, 175 per cent in France and 132 per cent in the United Kingdom, output in the United States of America had increased by only 119 per cent over the same period, and there had been consequent changes in each country's share of the total output of the capitalist world. While the United States had accounted for 54 per cent of the total industrial output of the capitalist countries in 1950, its share had dropped to 47-48 per cent in 1959. The United States had produced 57.4 per cent of the total steel output of the capitalist countries in 1950, but only 40.4 per cent in 1959. Its share in the

exports of the capitalist world had dropped from 30 per cent to 21 per cent in the period 1946-1953, and had been as little as 17.4 per cent in 1959. Different rates of economic development in different parts of individual countries had been particularly evident in Italy, France, Canada and Brazil, where they had adversely affected the economic and social position of the workers. Stagnation in some sectors had affected employment in all branches of the economy. Backward conditions in some areas had encouraged employers to maintain constant pressure on the labour market, to oppose the legitimate claims of workers in the more advanced areas and to keep wages at a low level.

21. His organization regretted that despite the recent economic upswing, the position of the workers in those countries was still unsatisfactory. Workers and trade unions were increasingly concerned by the fact that economic prosperity had not provided the working masses with the better living and working conditions to which they were entitled. Its main characteristics were a lack of long-term stability, a continual fever of competition and many uncertainties as to the future. For the workers, every economic recession meant a further worsening of their economic and social position.

22. Trade unions in the United States of America believed that unemployment in that country would remain at a high level, in spite of the mild economic recovery which had been forecast. In order to reduce the unemployment figure to 4 per cent, 7.7 million new jobs would be needed and 8.4 million to reduce it to 3 per cent by the end of 1961; but at the moment there was no sign of any economic expansion which would create new employment on so large a scale. The unemployment problem was also very acute in other countries, such as Canada, Italy and the United Kingdom, not to speak of less developed countries such as India, Pakistan and Brazil. In several countries large numbers of workers were being laid off in the mining, shipbuilding and textile industries.

23. Instead of improving working conditions, technical advances such as automation had added to the difficulties of the majority of wage-earners. New techniques and new forms of labour organization were producing a greater concentration of capital and a fantastic rise in the profits of monopolies; but for the workers they meant large-scale dismissals, increased physical and mental fatigue and a higher rate of industrial accidents and occupational diseases.

24. His organization believed that employment could be increased by reducing working hours, lowering the retiring age, lengthening holidays with pay, undertaking more public works projects and developing international trade. Shorter working hours, without any reduction in wages, were also needed to counterbalance the effects of faster rates of work, to reduce the adverse social consequences of automation and to give workers more time for technical training and general education. An increase in the number of public works projects undertaken would be especially helpful in reducing unemployment and, in addition, the construction of new factories for peaceful production and the building of roads, schools, hospitals, dwellings and kindergartens would contribute to the

development of economic activity in general. The development of international trade, based on the principles of equality, mutual advantage and non-discrimination, would stimulate economic activity and at the same time promote better understanding between nations and the establishment of mutual confidence and the conditions for peaceful economic competition for the benefit of all countries.

25. While profits had increased appreciably, the purchasing power of workers had declined in several capitalist countries, in spite of nominal wage increases obtained by trade union action. In Belgium, France and many other countries, the public authorities had justified a policy of austerity by reference to the need for relative price stability and budgetary soundness. But policies of austerity did not help to stimulate economic development; and, though they gave increased privileges and powers to large-scale investors and monopolies, they intensified the economic problems of workers and the population at large. What the workers wanted was not inflation or devaluation of currencies, but a real increase in their purchasing power.

26. In the less developed countries of Asia, Latin America and Africa there had been an increasing realization of the need for rapid and intensive industrialization, without which no appreciable improvement in economic and social conditions would be possible. The countries of those regions, with their large populations, still accounted for only a small proportion of total industrial output in the capitalist world. For example, mining output in the less developed countries of Asia (excluding the socialist countries in that region), which had rich mineral deposits and a population of about 700 million, amounted to only 4.7 per cent of the world total or, if Japan were excluded, only 2.55 per cent. But the countries of western Europe, with a population of about 245 million, produced 31.1 per cent of the total.

27. The situation was equally difficult in Latin America and Africa. Some basic industries had already been established in certain Latin American countries, but there were still whole areas without any industry at all, and backward agricultural methods were retarding economic development. Although many African countries had gained their independence in 1960, their economies remained at a very low level of development, since monopolistic organizations in the former colonial countries were still exploiting their wealth.

28. The most advanced industry in nearly all the less developed countries was mining, while the manufacturing industries were rudimentary or completely non-existent. As a result, those countries were obliged to sell their primary commodities to the capitalist countries at unfavourable prices. Further, most of the industrial undertakings in the less developed countries belonged to foreign monopolies, which extracted enormous profits from them. For example, United States private investments in the Far East had increased from \$309 million in 1950 to \$1,028 million in 1959, and the profits from those investments amounted to \$166 million, which was a heavy burden on the limited resources of the countries concerned. Investments in Indonesia amounted to \$163 million, profits on which were as much as \$54 million, or 34 per cent of the total capital invested.

29. Rapid economic development of the less developed countries could not be achieved without assistance from the industrialized countries. The socialist countries, which had never exploited the wealth of the less developed countries, were giving them generous assistance in developing their industries and strengthening their economic potential. They had built hundreds of basic industrial enterprises on a credit basis. They were developing commercial relations, founded on the principle of mutual advantage and, in addition to providing long-term credits at low rates of interest, they were buying the primary commodities produced by the less developed countries and supplying them with industrial equipment at favourable prices. Other countries, particularly those which had exploited the wealth of the less developed countries for hundreds of years, should make a similar contribution.

30. In 1960, some sectors of the economies of the capitalist countries had produced more than the consumer could absorb, and considerable stocks had been accumulated — which was a surprising development at a time when the requirements of the world at large, and particularly of the under-developed countries, were so large. Rectification of that anomaly would help both to reduce unemployment in the capitalist countries and to accelerate the development of the less developed countries, but it would be possible only if the capitalist countries gave up their discriminatory policies in international trade relations and provided the less developed countries with cheap long-term credits.

31. The total resources available for promoting the economic development of the less developed countries would be greatly increased if agreement were reached on general disarmament. His organization encouraged workers throughout the world to fight for peace and disarmament, which were vital for world economic expansion, for the rapid development of the less favoured countries and the improvement of living and working conditions.

32. The solution of problems relating to agriculture was of particular importance for the less developed countries. Many of those countries were obliged by unfavourable market conditions artificially created by the capitalist countries to sell their agricultural products at a pitifully low price and buy the foodstuffs they required at speculative prices from the capitalist countries. As a result, even countries where climatic and soil conditions were exceptionally good could not provide sufficient food for their populations. Agricultural development was impeded by the system of land tenure and by feudal and backward agricultural methods. Further, large areas of land were kept uncultivated in order to maintain the prices of agricultural products exported by foreign monopolistic organizations at a high level. In Chile, for example, 15 per cent of all agricultural landowners owned 99 per cent of the total cultivable land available; and 58 per cent of that land was kept uncultivated.

33. Experience gained in the People's Republic of China, in the Democratic People's Republic of Korea and the Democratic Republic of Viet-Nam, and more recently in Cuba and Guinea, clearly showed that a rapid development of agricultural output could not be achieved without

radical measures to emancipate the agricultural labour force, to abolish feudal estates and all forms of feudal relationships, to eliminate foreign control and to diversify output. Agrarian reforms on those lines were an absolute necessity for most of the less developed countries, and his organization supported the efforts made by their peoples to secure them.

AGENDA ITEM 14

Questions relating to science and technology

(a) **Main trends of inquiry in the field of natural sciences, the dissemination of scientific knowledge and the application of such knowledge for peaceful ends (E/3362/Rev.1, E/3469, E/3488 and Add.1, E/3505 and Add. 1-4 and Add. 1/Corr. 1) (resumed from the 1152nd meeting)**

34. The PRESIDENT, having recalled the statement made by the French representative at the 1151st meeting, proposed that the Council, having made a general examination of the survey of the main trends of inquiry in the field of the natural sciences, the dissemination of scientific knowledge and the application of such knowledge for peaceful ends (E/3362/Rev.1), and having reviewed the

observations submitted by Member States and by the specialized agencies on the survey and in particular on the recommendations which emanated from it, should establish a working group comprising the representatives of Brazil, Ethiopia, France, Japan, Italy, Poland, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America to proceed, in accordance with Council resolution 804 (XXX) and in implementation of General Assembly resolutions 1260 (XIII) and 1512 (XV), to consider the recommendations of the survey, together with the comments which had been made on it by governments and specialized agencies, and to submit to the Council in the course of the current session a report, including, as appropriate, draft resolutions, on the survey and the comments made thereon. In accordance with the Council's rules of procedure, representatives of other States members of the Council and observers for States Members of the United Nations might participate in the work of the group.

It was so decided.

The meeting rose at 1.5 p.m.