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Chairman: Mr. Pierre FORTHOMME
(Belgium).

GENERAL STATEMENTS (continued)

1. Mr. SAHLOUL (Sudan) said that the Committee must act faster to avoid an aggravation of the problems facing the developing countries.

2. The World Economic Survey, 1964^{1/} showed that the agricultural production of the developing countries had lagged behind the rate of growth for the world as a whole, particularly in food production, thus causing inflation. Commodity prices had fallen while the terms of trade of the developed countries had improved. The flow of capital and aid had begun to deteriorate during 1964, and the growth rate of the flow of funds had levelled off since 1961. Inflation was affecting the meagre resources of local capital and the debt servicing burden was beginning to tell on development efforts. Those trends had been widely recognized and discussed. The United Nations Conference on Trade and Development had recommended that the developed countries should allot at least 1 per cent of their national incomes to the developing countries at an interest rate of not more than 3 per cent and the Economic and Social Council, in resolution 1088 (XXXIX), had called on the developed countries to make their terms of lending substantially more favourable to the developing countries. Both organs had taken steps towards the establishment of a capital development fund in response to the wishes of the developing countries. As regards capital investment, the latter could usefully absorb \$5,000 million more annually than the present figure of \$9,000 million.

3. Many developed countries were trying to alleviate the situation. The United Kingdom, for example, had decided to extend the system of interest waivers operated on a selective basis since 1963. Canada had expressed its willingness to extend soft loans and Kuwait was extending 10 per cent of its annual income to the developing countries. On the other hand, the United States, which had long shouldered the main burden of international assistance and pioneered long-term soft loans, had reduced its grants and raised its minimum interest rate to 2.5 per cent. Since it contributed over 56 per cent of the capital and aid provided bilaterally to the developing countries,

and because of its tradition of generosity, he hoped that it would see fit to review its change in policy. The commitments of the socialist countries in 1964 to assist the developing countries had risen to more than \$1,000 million. Their loans covered a wide range of plans, mostly of a practical nature, which perhaps explained why the repayment period was shorter than with normal soft loans. He hoped that the socialist countries would extend the periods of repayment and expand their operations to a level in keeping with their own economic progress.

4. The establishment of a new multilateral agency for international financing had been criticized on the ground that the developing countries might regard aid as an end in itself, providing a magic solution to their economic problems. However, most of those problems were the result of the imbalance in international economic relations, and aid was an essential corrective instrument. That was why many countries had advocated the establishment of a capital development fund. Its success would require the whole-hearted support of all Member States; meanwhile it might be essential to resort to other measures, for example the consolidation of the Expanded Programme of Technical Assistance and the Special Fund with a view to their eventual transformation into such a fund. The existing functions of the two programmes should not be submerged, and investment and pre-investment activities must continue side by side. However, the advisory role of experts was no longer feasible and they should perhaps operate on an OPEX basis or through an expansion of the OPEX programme. Further, in the light of the important role of the Special Fund's pre-investment activities, it should expand its surveys to cover all sectors, including industry, agriculture, power, health and social welfare. The investment activities of the proposed new body would ensure financial resources for all successful pre-investment projects. The resources proposed for enabling the new fund to undertake both sets of functions were not large and should be gradually expanded in the light of experience of the needs of the developing countries.

5. One of the basic elements of instability in the developing economies was their reliance on an agricultural economy to provide them with foreign exchange and to feed their people. Many developing countries had not achieved their agricultural targets and had therefore had to resort to food imports, thus impairing their development programmes. They must therefore draw up plans for economic development, carefully balancing the agricultural and industrial sectors.

6. A more comprehensive programme for the training of personnel was needed for accelerated development.

^{1/} United Nations publication, Sales No.: 65.II.C.1 and 2.

Such a programme could only become a reality if it came under the direct responsibility of a specialized agency for industrial development. Marketing was another aspect of industrialization which required close scrutiny. In the developing countries the lack of markets had led to increased production costs. His delegation hoped that the policies of existing economic groupings of developed and developing countries would not impede regional development and noted with satisfaction that the proposed draft statutes of a United Nations agency for industrial development (A/5826) stressed the need for regional planning in industrialization. The establishment of the new agency was imperative but its relationships with other bodies already dealing with industrial development must be carefully defined. His delegation also whole-heartedly supported the proposed international symposium on industrial development.

7. The Committee had unanimously endorsed the joint declaration, made by the USSR and the United States at the seventeenth session of the General Assembly, calling for a report on the economic and social consequences of disarmament. The response of the Secretary-General^{2/} had been somewhat disappointing, but it was heartening to note that the USSR and the United States were engaged in extensive studies of the problem. The resources released by partial disarmament could be put to use immediately for development. The Sudan had submitted a note in response to the Secretary-General's inquiry outlining some of the uses to which the resources released by disarmament could be put and hoped that more replies would be forthcoming.

8. His delegation welcomed the Secretary-General's report on permanent sovereignty over natural resources^{3/} and felt that the initial phase of UNESCO's programme to combat illiteracy should be enlarged.

9. Mr. Saad KHALIL (United Arab Republic) said that lasting solutions to the world's economic problems could only be reached through international co-operation. He therefore appealed for the mobilization of international efforts, not to encroach on the prosperity of the developed countries, but to procure mutual benefits; the problems of the developed countries—deficits in the balance of payments coupled with unemployment, overheating of their economy, inflation and the lack of international liquidity—could not be lastingly solved unless the problems of the development process were also solved. He recognized that the main effort should be made by the developing countries themselves. His own country, for example, was making gigantic efforts to develop its economy. It was beginning its second five-year plan, during which it would explore every sector of the economy and launch a heavy industry. The Aswan High Dam, which had become a symbol of the nation's determination to progress, was the result of real international co-operation between two sovereign States. The Soviet Union has provided generous aid on terms which could well serve as an example for international

assistance. Despite those efforts, the annual population increase of 2 1/2 per cent was a crucial problem and family planning had a place in current plans.

10. The results of the first half of the United Nations Development Decade had been disappointing and, what was more distressing, the developing countries had failed even to maintain the level of the 1950's.

11. The terms of trade had favoured the developed countries exclusively and were frustrating the efforts of the developing countries. The increase in world trade had taken place largely between developed countries, and the rate of growth of exports from the developing countries was falling. Moreover, the steady decline in the prices of those exports stood in contrast to the rise in the price of exports from the developed countries, which the developing countries had to buy for their economic development. That "imported inflation" imposed on the developing countries was reflected in a continuous devaluation of all factors of production and production itself. Ironically, the developing countries had not yet succeeded in fixing even a floor price for some major products, not to speak of increasing their export proceeds. In addition, the exports of manufactures and semi-manufactures from their infant industries faced numerous tariff and non-tariff obstacles.

12. The problem of preferences called for an immediate solution, which should not await the completion of a study of the factors affecting industry in the developing countries. He hoped that, by the time the second Conference on Trade and Development was held, concrete proposals would be far advanced. The measures referred to by the Australian representative (957th meeting) were to be welcomed as a good example of international co-operation.

13. The position as regards capital flows was also far from encouraging. He was not disturbed by the rise in the total indebtedness of the developing countries from \$9,000 million in 1955 to \$33,000 million at the end of 1964; his real concern was the intolerable burden of debt servicing, including a further increase in the charges on private long-term capital and trade credit. According to the latest report of the International Bank for Reconstruction and Development,^{4/} debt service payments for 1964 were estimated at \$4,000 million. Taking into account the further \$4,000 million in scarce foreign exchange spent yearly on essential food imports, the total was \$8,000 million. If the total flow of capital to the developing countries was assumed to be \$9,500 million, the need for a substantial increase in capital flow became clear. Again, the figure of \$9,500 million might not be accurate. The actual net movement of physical resources disclosed in the balance-of-payments estimates of the International Monetary Fund indicated that capital inflow to the developing countries in 1964 had been no more than \$5,000 million, which was less than 1/2 per cent of the total income of the industrial countries. That

^{2/} See Official Records of the Economic and Social Council, Thirty-ninth Session, Annexes, agenda item 6, document E/4042.

^{3/} Ibid., Thirty-seventh Session, Annexes, agenda item 15, document E/3840.

^{4/} Annual Report, 1963-1964 (Washington, D.C.) and supplementary information for the period from 1 July 1964 to 1 March 1965. Transmitted to members of the Economic and Social Council by notes of the Secretary-General (E/3992 and Add.1).

inflow was almost all required for debt servicing. Besides debt re-scheduling to give temporary relief, the only long-term solution was an increased flow of resources on easier terms, that is, longer grace and amortization periods and lower interest rates.

14. Speaking on the subject of international liquidity, the Managing Director of the International Monetary Fund had said, at the recent meetings of the Bank and the Fund in Washington, that international liquidity was needed for settlement of deficits and surpluses among monetary authorities, not to finance trade, which was financed by banking and commercial credit. However, in his delegation's view, the whole international monetary system served to finance trade and any obstacle to its proper functioning, such as the lack of adequate liquidity, was a threat to development. The systematic creation of reserves was an international responsibility and not that of a limited number of industrial countries. If developments in industrial countries pointed to a need for increased international liquidity to maintain steady growth at times of external imbalance, the need of the developing countries was even more urgent.

15. In terms of action, his delegation had expected far more from the United Nations Conference on Trade and Development than had so far been achieved. On the other hand, the Special Fund's excellent work had encouraged his Government to consider increasing its contribution, and he hoped that a final decision on its future would be reached before the United Nations Pledging Conference on the Expanded Programme of Technical Assistance and the Special Fund. Whatever co-ordinating machinery was introduced, he trusted that the General Assembly's decision to transform it into a capital development fund would not be impeded. While he welcomed the strengthening of the Centre for Industrial Development, the establishment of a specialized agency for industrialization should not be delayed. Industrial development was a key factor in raising the level of living of the developing countries and bridging the gap between rich and poor nations, and it was no less important than other sectors for which specialized agencies already existed.

16. He welcomed the trend toward increased trade between the market economies and the centrally planned countries. Such trade would contribute to world peace and produce economic benefits. Differences in levels of economic development or in economic systems should not hamper economic co-operation based on mutual respect for sovereignty.

17. Mr. MEMMI (Tunisia) said that the United Nations Conference on Trade and Development was a historic landmark in the history of the United Nations. An effort had been made by all participants to find new, equitable and bold solutions. The new organs established by the Conference were already working on the implementation of its recommendations. There were, of course, some difficulties, since the changes which States would be required to make in their institutions could hardly be accomplished overnight. Nevertheless, the conciliation machinery established by the Conference provided a means of safeguarding the interests of all members and the solidarity of the developing countries was proof, not

of their intention to impose their will on the richer countries, but of their resolve to draw attention to the urgency of the problems which kept two thirds of mankind in a state of poverty. It was to be hoped that the General Assembly would ensure that the Conference received the resources required for the success of its work.

18. The World Economic Survey, 1964 and the opening statement by the Under-Secretary for Economic and Social Affairs (955th meeting) had shown that, at mid point in the United Nations Development Decade, progress towards the goals of the Decade had been disappointing. Despite some improvement in production, in agriculture and in the mining and manufacturing industries, the developing countries' progress had been slowed down by population growth, the deterioration in the terms of trade and the decline in the flow of capital to those countries. If the gap between the rich and the poor countries was not to widen, by the close of the Decade, the United Nations would have to intensify its efforts to find long-term solutions.

19. There was much controversy about the place industrialization should occupy in over-all development programmes. For some, it should merely complement the results of an improved agricultural system, whereas others believed it should be the basis for balanced economic development. His delegation was gratified to note that the Centre for Industrial Development had recommended that United Nations industrial development activities should be expanded, but believed that any decision concerning a new specialized agency should be deferred until the Assembly had decided on a programme of action for industrialization. If United Nations activities were to be confined to pre-investment in the industrial sector, for instance, there would be no need for a new agency. In the meantime, the Centre for Industrial Development should be strengthened and given the resources it required for expanding its activities. Moreover, the Centre should devote greater attention to encouraging export industries, to assisting the developing countries in the preparation and evaluation of projects and to training in industrial skills. There should also be special emphasis on regional integration and on the establishment of complementary industries within specific regions.

20. His delegation agreed with the Economic and Social Council that the consolidation of the activities of the Special Fund and the Expanded Programme in a single United Nations Development Programme would help to rationalize and simplify technical assistance operations.

21. The Committee also had before it a proposal for the conversion of the Special Fund into a capital development fund. As a number of representatives had already stated, the flow of capital to the developing countries was still far below the level required to finance their development plans and the time was ripe for the United Nations to set up a fund for that purpose. If the Special Fund could extend its activities to cover not only pre-investment but actual investment in industrial development, an ideal solution would have been achieved.

22. Mr. TAIB (Malaysia) said that, at the United Nations Conference on Trade and Development at Geneva, the new developing countries which had participated voiced their determination to use their freedom to achieve economic progress.

23. The occasional failure of a developing country to derive full benefit from external assistance was often attributed to a lack of proper planning in the country concerned. National planning was admittedly a major factor in stimulating development, but it should not be over-emphasized. Balanced development also required that political and social stability and progress should be taken into account in planning a nation's future.

24. His country accepted the primary responsibility for planning its own development programme. It did its utmost to mobilize its internal resources and to encourage foreign investment. Nevertheless, because of lack of capital and shortage of technical experts, it was dependent on external assistance. Moreover, Malaysia had suffered from the constant decline in the prices of primary products—its main exports, which were threatened by increased competition from synthetics. The tariffs imposed on many of the developing countries' exports made it increasingly difficult for them to earn the necessary foreign exchange for the industrial products which they required. His delegation hoped that the Trade and Development Board would be able to continue the work started by the Geneva Conference in overcoming the obstacles to sound economic development.

25. His delegation welcomed the establishment of the United Nations Institute for Training and Research, and supported the proposal for the consolidation of the Special Fund and the Expanded Programme of Technical Assistance.

26. In many areas, development plans could be more successful if they were designed on a regional basis. Malaysia had already entered into co-operative arrangements with neighbouring countries and, despite some setbacks, would continue to do so.

27. The fact that a country had achieved a certain success in its development programmes without external assistance should not debar it from receiving such help for later and more comprehensive phases of its development. There should be an over-all policy for complementing national development efforts by pre-investment assistance, capital and technical assistance, and advisory services, each phase of development to be reviewed and aid for subsequent phases to be adjusted according to what had been achieved in the previous phase. In that way, countries which had made substantial progress in the early stages would be assisted until they had attained self-sustaining growth, when they in turn could extend assistance to other developing countries.

28. Mr. PIZHKOV (Byelorussian Soviet Socialist Republic) said that economic progress during the first five years of the Development Decade was disappointing. The growth in the developing countries as a whole had decelerated from an average annual rate of 4.5 per cent in 1955-1960 to 4 per cent in 1960-1963. Between 1960 and 1962, average per capita income in the developing countries had increased

by barely \$5. Two thirds of the world's population still shared less than one sixth of the world's income. In 1962, annual per capita income in those regions had averaged only \$136. The slow rate of economic growth in the developing countries, the deterioration in their terms of trade and the fluctuations in their commodity exports were alarming. As Mr. De Seynes had pointed out, primary commodity prices had been declining steadily since the beginning of 1964 and, in the middle of 1965, they had been 5 per cent below the corresponding level in 1964. The foreign indebtedness of the developing countries had increased threefold during the last ten years.

29. The United Nations Development Decade had therefore remained a dead letter: it had not witnessed the adoption of any constructive measure to assist the developing countries. Those countries could achieve effective rates of growth only if vigorous steps were taken to remove the many barriers to their economic and social development. One of their main difficulties was the continued domination of their economy by foreign monopolies. Such interference was often presented as bilateral assistance, but, in fact, it was merely exploitation designed to siphon off vast profits. The colonialists thus had a moral and material obligation towards those countries and must give back the wealth they had stolen. Furthermore, the attempts made by certain Powers to divide the world into developed and under-developed countries and to group the socialist and capitalist States together among the richer countries must be resisted.

30. The United Nations must ensure that external assistance played a positive role in the economic and social development of the developing countries by concentrating on such key matters as industrialization, the diversification of the economy and the training of national cadres. Only if external aid was aimed at liquidating the economic legacy of colonialism and correcting the existing unjust international division of labour could it usefully supplement the domestic resources of the developing countries. Nor could their plight be remedied unless the enormous outflow of profits and dividends to the developed countries of the West was stopped and unless the terms on which money was lent them by those countries were improved.

31. Unfortunately, the United Nations had failed to provide adequate assistance for the solution of those problems. In launching the United Nations Development Decade, the General Assembly had stressed, in resolution 1710 (XVI), the need for policies designed to ensure to the developing countries an equitable share of earnings from the extraction and marketing of their natural resources. Yet nothing had been done to achieve that aim. The Secretariat had published reports defending the role of private foreign capital in the developed countries instead of concentrating its efforts on defending the right of those countries to the sovereignty over their natural resources and on opposing the policy of neo-colonialism.

32. Another serious obstacle to economic development was obsolete land tenure systems. Unfortunately, land reform had not been discussed at length at

the thirty-ninth session of the Council; nor was it on the agenda of the present session of the General Assembly. The fourth report on progress in land reform (E/4020 and Add.1-2) contained useful information, but it had some methodological shortcomings and did not give a more complete picture of land reform in the socialist countries than the reports which preceded it. Although land reform was essential for economic development, particularly in the new countries, progress was quite unsatisfactory, as was shown in the note by the Secretary-General in that domain.^{5/} Land reform was of no avail unless it involved a radical redistribution of the land for the benefit of the small and landless peasants and agricultural labourers, and unless large holdings, especially those in the hands of foreign monopolies, were expropriated. Unfortunately, the resolutions adopted by the Council on land reform had not been properly implemented. The convening of the world land reform conference should do something to improve matters but preparations for the conference gave grounds for concern. The attempt to restrict participation and to obscure policy questions amid a welter of technical and legal details was disquieting. He hoped that those matters would be remedied before the Conference opened.

33. He agreed that industrialization was essential for accelerating the economic and social development of the poorer countries. At the Inter-regional Seminar on Social Aspects of Industrialization, held at Minsk in 1964, all participants had stressed that a high rate of economic growth could only be achieved with a sound national heavy industry. The Seminar had recognized that small industries could play an important role in some developing countries and at certain stages of development by creating employment opportunities but, because of their technical shortcomings, such industries could only serve to overcome the backwardness of the developing countries if they were linked to a large-scale, mechanized industry. There was a growing understanding of the role of industrialization in strengthening the economic independence of developing countries but many of them were still faced with the difficulty of eliminating the backwardness inherited from their colonial exploiters.

34. As a result of Nazi aggression, the Byelorussian SSR had lost more than 50 per cent of its national wealth. However, in two decades, under the socialist system, it had travelled rapidly along the path of industrialization. The most recent seven-year plan was designed to increase industrial output 1.8 times. But by May 1965, the plan had been over-fulfilled and output had actually increased twofold. Spectacular increases had been achieved in machine-building, electronics and chemicals as well as in the production of consumer goods. While the Byelorussian SSR and other socialist countries stressed the positive aspects of industrialization, some other countries were trying to discourage the developing countries by overstressing the dangers of very rapid industrialization.

^{5/} See *Official Records of the Economic and Social Council, Thirty-ninth Session, Annexes*, agenda item 20, document E/4048.

35. The United Nations Conference on Trade and Development had adopted a number of important principles and set up new machinery for strengthening international trade. Yet the implementation of the Conference's decisions gave grounds for justified concern. The decline in primary commodity prices made it essential to adopt commodity agreements as soon as possible, and measures must be taken to open up world markets to the manufactures of the developing countries. However, some Western countries, with their closed economic groupings, preferential systems and efforts to divide world trade into zones of influence, were pursuing policies that ran counter to that aim. Particularly alarming, too, was the policy being followed by the United States in the Democratic Republic of Viet-Nam and in Cuba.

36. The time was indeed ripe for a review and reappraisal of the functions of the Economic and Social Council. The Council must select those basic economic problems whose solution could help the developing countries. Such problems included permanent sovereignty over domestic resources, industrialization, radical programmes of land reform, planning, the development of the State sector, the economic and social consequences of disarmament, and the improvement of technical assistance.

37. His delegation was seriously concerned at the attempts by certain countries to hasten the consolidation of the Expanded Programme and the Special Fund. Such a consolidation would mean the abandonment of the proposal to establish a United Nations capital development fund. The Expanded Programme would be swallowed up by the Special Fund so that investment proper would be sacrificed to pre-investment. The only satisfactory method of dealing with the problem of a capital development fund was that suggested by the USSR representative (960th meeting). In any case, a careful study must be made of all aspects of United Nations financial aid and particularly the future of the regular programmes of technical assistance.

38. The principle of universality in the United Nations Charter was still not being observed, although the Secretary-General had stressed in the introduction of his annual report^{6/} the imperative need to implement that principle as soon as possible.

39. It was particularly disappointing that the German Democratic Republic—an important transit State—had not been invited to the United Nations Conference on Transit Trade of Land-locked Countries in June 1965. The German Democratic Republic was still denied membership to the United Nations Conference on Trade and Development, the Special Fund and the Expanded Programme, although it could make an important contribution to the solution of the problems facing the developing countries.

The meeting rose at 1 p.m.

^{6/} See *Official Records of the General Assembly, Twentieth Session, Supplement No. 1, (A/6001/Add.1)*.