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Chairman: Mr. Pierre FORTHOMME
(Belgium).

GENERAL STATEMENTS (continued)

1. Mr. SENANAYAKE (Ceylon) said that the developing countries had to face a twofold problem: a declining trend in the terms of trade and inadequate rates of growth in industry and food production. The United Nations and related agencies had increasingly come to accept that one of their main economic functions was to provide the administrative instruments and framework that would enable the developed countries to co-operate in raising living levels in the less developed areas.

2. The developed countries must be convinced that it was not only their duty but also in their interest to help the developing countries. The latter had a right to that assistance because they were former colonies which had provided raw materials and markets for the now developed countries when those countries had begun their process of industrialization. It was in response to the needs and requirements of the industrial countries that the developing countries had concentrated on the export of primary products. The latter countries had been compelled to reduce the production of food and other consumer goods. There was some truth in the statement that the concentration on primary commodities explained the colonies' backwardness in industrialization. In particular, the advanced countries should do their utmost to help the developing countries to overcome the serious ill-effects of the decline in the terms of trade between primary and industrial products. In that connexion, his delegation noted with dismay the recent decision of the United States Government to release natural rubber from its stockpile without taking account of the present state of the terms of trade. That was an operation which amounted to an economic sanction against the producers of natural rubber.

3. With regard to the terms of trade of the raw material producing countries, the industrial countries could also discourage the replacement of tropical products by synthetics and try to discover new uses for primary commodities. In that respect his delegation fully supported the recommendations contained in the Final Act of the United Nations Conference on Trade and Development.^{1/}

^{1/} See *Proceedings of the United Nations Conference on Trade and Development*, volume I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

4. The wealth of the advanced countries was in itself a sufficient reason for them to aid the developing countries. It was generally accepted that wealth and poverty could no longer exist side by side within a country in view of the inevitable social tensions that would arise. Similarly, inequality of wealth, a major cause of conflict and tension, could no longer continue on an international scale. The advanced countries must therefore choose between aid to the developing countries and the arms race.

5. Such aid could, of course, be of two kinds: aid given by Governments and official bodies, and indirect aid in the form of private investment. The recipient countries, too, had important obligations. Their conduct should show that they understood the desire of the advanced countries for a lessening of existing tensions. It was perhaps in their interest to follow a policy of neutrality and non-alignment in international affairs. Furthermore, they should promote the peaceful settlement of disputes and be generous to their national minorities.

6. It had to be recognized that the sole motive of private foreign investment was profit. While doing what was necessary to attract that type of investment, the developing countries had to ensure that such capital did not come to dominate their economies and turn their nationals into second-class citizens. The relevant organs of the United Nations should study that problem with a view to arriving at a standardized procedure for foreign investment in developing countries. Such a study should cover the following matters: (a) the inducement necessary, through tax concessions, to provide a sufficient profit motive for foreign investment; (b) the provision of guarantees to ensure the security of capital invested; (c) the provision of arbitration facilities to deal with disputes between Governments and foreign concerns; (d) methods of co-operation between local and foreign capital; (e) the employment of local personnel; (f) the terms on which foreign investments could be acquired by nationals of the recipient country. If a standardized procedure of that type could be evolved, most of the apprehensions both of foreign investors and of the Governments of developing countries would be dispelled. The Governments of industrial countries might also encourage investors by granting tax concessions related to the amount of capital invested in developing countries.

7. Industrialization was one of the main ways of curing the over-specialization of economies based on primary exports. The proposal to establish a United Nations agency for industrial development was therefore particularly timely. That agency should devote itself more specifically to the study of existing obstacles—sometimes difficult to identify—to indus-

trial expansion in the developing countries. Surveys of that kind might be incompatible with article IV, paragraph 2, of the draft Statutes for the proposed agency (A/5826, para. 73). Such a situation could be avoided if they were conducted only at the request of the Governments concerned and published only with their consent.

8. In that regard, it was to be hoped that in the near future the principle of non-interference in the internal affairs of a country would cease to hamper United Nations activities. The sole purpose of economic and social development was the happiness of man, and since by definition humanity was one, economic and social development and human rights were a matter of international concern. The abandonment of the principle of non-interference would enable the economic bodies of the United Nations to do their work more effectively and it would be possible to give them real power and authority.

9. There had recently been a great change in attitude towards industrial expansion in the developing countries and international trade in primary commodities. The developing countries were no longer being advised to refrain from embarking on industrial production on the theory of comparative costs. In any case, the nationals of the developing countries had never accepted, at least psychologically, that interpretation of the theory of comparative costs, which had seemed too convenient for certain interested parties. They had gradually recognized that there was nothing immutable or eternal about comparative cost patterns. The developing countries were now being advised to give priority to light industries. However, that advice had not prevented the advanced countries from imposing import quotas on the products of such industries from a developing area such as Hong Kong. Similarly the developing countries were now being reminded that their capacity to absorb foreign aid was limited and that large-scale capital transfers to them would be unrealistic. Nevertheless, whatever the practical difficulties involved in both large-scale industrial expansion and the absorption of foreign aid, they were not governed by any eternal economic law and the search for practical solutions was the only realistic way to tackle them.

10. Mr. LEKIC (Yugoslavia) said that the United Nations Conference on Trade and Development, which had inaugurated a new development policy, and its establishment as a permanent United Nations organ, had raised the justified hope in all the developing countries that the international community would at last tackle the existing inequalities in international economic relations and try to overcome the imbalances in the world economy, which were a potential source of tension. The United Nations was now institutionally ready to deal with the most difficult and complex world economic problems; what was still needed was the political will on the part of all Member States to make full use of that opportunity. His delegation firmly believed that the Committee, through its activities and initiatives, should promote the efficiency of the Conference and the rapid implementation of measures designed to ensure that the basic aims of the United Nations Development Decade were realized.

11. However, it was disturbing to note that the Conference had not yet started real negotiations on any questions of substance in regard to trade and development and had not yet taken specific measures to put into effect the recommendations adopted at Geneva. But those recommendations were not the result of any academic construction. What was needed was not to study their legal character, as had been done so far in the Trade and Development Board, but to face up to a political reality and take the necessary measures.

12. The developing countries did not regard the Conference as a means of exercising pressure or imposing decisions. Being in full agreement with all the States Members of the Conference, the developing countries had chosen the path of co-operation and conciliation in order to find solutions acceptable to all concerned. The new institutional machinery had been inspired by a realistic appraisal of the problems to be solved and it should therefore be the centre for formulating the new international policy of development and, at the same time, through the network of its subsidiary bodies, a mechanism for taking specific measures to implement that new policy.

13. It had to be admitted, however, that the economic position of the developing countries was continuing to worsen and showed alarming trends in certain sectors. The Secretary-General, in the introduction to his annual report on the work of the Organization,^{2/} had stated that progress towards the objectives of the United Nations Development Decade had so far been disappointingly slow. The value of the developing countries' exports was lagging considerably behind the average growth of world exports taken as a whole. As a result, the share of those countries in total world trade had continued to decline, having fallen from 22 per cent in 1960 to 20 per cent in 1964. Moreover, as was indicated in the same report, export prices of primary products at the beginning of 1965 had been lower than twelve months previously and were still falling. It therefore had to be recorded once again that the terms of trade were moving against the developing countries.

14. On the other hand, the flow of international assistance and long-term capital to the developing countries had virtually ceased to increase. Such transfers of resources, which should represent 1 per cent of the developed countries' national income, had fallen steadily since reaching their peak of 0.73 per cent in 1961. No one doubted, of course, that the sole object of international financial assistance should be to support and reinforce national development efforts. Nevertheless, it represented an essential supplementary factor, the more so since the developing countries had no means of reversing unfavourable trends in commodity markets.

15. Such considerations brought to mind the issue of the trade gap, which was still an important instrument in analysing and evaluating the possibilities and requirements of the developing countries, in order to provide a basis for fixing a target for

^{2/} Official Records of the General Assembly, Twentieth Session, Supplement No. 1 A (A/6001/Add.1).

economic growth and thereby determining the role of international assistance.

16. An analysis of the general position of the developing countries at the mid-point of the Decade showed, as the Under-Secretary for Economic and Social Affairs had pointed out (955th meeting), that the over-all level of performance was lower than that of the 1950's. It was not surprising that, in those circumstances, the United Nations Development Decade should sometimes be described as the "so-called Development Decade". Accordingly, if the agreed objectives were to be attained, the international community should take action to solve problems which had already been identified and adequately studied. How, for instance, could the developing countries work out economic development plans and expect to achieve worth-while results if unpredictable fluctuations in the prices of primary products continued? Although the Development Decade was considered to be a specific system of practical measures, its targets could be fulfilled only by executing the new development policy worked out at Geneva.

17. All those facts should not, however, obscure the progress made by such institutions as the Special Fund, the Expanded Programme of Technical Assistance, the World Food Programme and the specialized agencies. Several important regional projects, including the development banks, had been launched and were continuing.

18. Many bodies and institutions were affording their international economic co-operation within and outside the United Nations system. Their performance was improving day by day and there was a need to secure better co-ordination of activities, to establish priorities and to make more effective use of available funds. At the same time, efforts to adapt the United Nations system to the new requirements which were constantly arising should be continued. That was where the basic role of the Economic and Social Council lay. The Council and the United Nations Conference on Trade and Development, with their subsidiary organs, were fully qualified to deal with the complex and often highly technical issues which arose in the broad field of international economic co-operation.

19. The General Assembly, in promoting economic and social progress, should above all provide the essential—and often decisive—political support for action which, in its estimation, was of vital significance for the future. His delegation therefore expected that the General Assembly would firmly support the Conference's policy of putting the recommendations adopted at Geneva into effect and that it would stimulate national and international action to that end. Moreover, the General Assembly would probably be in a better position to solve the problems connected with the establishment of a United Nations Development Programme and to find generally acceptable solutions. It could not fail to note the stagnation in the provision of financial aid to economic development or the need to act in order to increase the volume of that form of assistance.

20. The economic growth of the developing countries was, on an increasing scale, taking the form of an organized process of industrialization and diversifica-

tion of production, based on national development plans. International action in that connexion should therefore include long-term measures and be a continuous process. The time was ripe for the establishment of a separate specialized agency through which United Nations industrialization activities could be expanded; the success of the Centre for Industrial Development and its rapid expansion offered the best proof of that. There were similar grounds for expanding United Nations activities in investment financing; for that purpose, however, two essential conditions had to be met: a considerable increase in available funds and the establishment of a suitable administrative body. It would be possible to stimulate the preparation of the idea of SUNFED (Special United Nations Fund for Economic Development), the establishment of which had been advocated by the developing countries for many years, by transforming the new United Nations Development Programme into a capital development fund which would exercise both investment and pre-investment activities.

21. Although his delegation had spoken mainly about the problems of international action for development, it was nevertheless convinced that national efforts were the *sine qua non* of all economic advancement. The broad programme of economic reform which was being put into effect in Yugoslavia was aimed at modernizing the national economy by a stricter application of the criterion of efficiency to investment policy, by encouraging labour productivity and by introducing new technology. The reforms were also aimed at reducing the disparity between the prices of raw materials and those of manufactured products, stabilizing the domestic market and creating more favourable conditions for broader participation in the international division of labour. The measures adopted included the fixing of a new dollar exchange rate for the dinar and would make the foreign exchange system better adapted to the requirements of liberalization. The new customs tariff had become the basic instrument for protecting national industry, since the new rates of duty were considerably lower than those of the former provisional tariff and the average customs levy had decreased from 23.29 per cent to 11.7 per cent in 1964.

22. Particular attention was being devoted to increased co-operation with other developing countries. Tropical products would, as in the past, be exempt from import duty, and the average duty on raw materials had been reduced from 12 to 5 per cent. Yugoslavia had also endeavoured to increase the volume of manufactures and semi-manufactures imported from developing countries. It should be noted, in that connexion, that Yugoslav imports of products from those countries had increased by 120 per cent during the previous four years, whereas the total increase in Yugoslav imports during that period had been 45 per cent.

23. Mr. BELEOKEN (Cameroon) said that, midway in the United Nations Development Decade, it was time to assess the progress made towards a more equitable and less arbitrary economic and commercial system. He noted with regret, as had the President of the Economic and Social Council at the end of the thirty-ninth session, that the results obtained were

disappointing. Yet, if the recommendations adopted at the United Nations Conference on Trade and Development had been duly implemented, it should easily have been possible to reach the target of a minimum annual rate of economic growth of 5 per cent set for the Development Decade.

24. The gap separating the rich nations from the poor was steadily widening, because the promises made and the institutions created had unfortunately not been matched by sufficient concrete results. His delegation therefore appealed earnestly to the developed countries to facilitate the implementation of the recommendations of the Conference, which, in its view, was the most suitable instrument for a concerted international economic policy in favour of the under-developed countries.

25. Some of the recommendations of the Conference were addressed solely to the developing countries, and his Government, aware of the effort required from those countries, was endeavouring to put them into practice. For example, Cameroon had adopted an investment code designed to attract foreign capital; it was, in keeping with its policy of promoting regional integration, a member of the Central African Customs and Economic Union; it had contributed effectively to the establishment of the African Development Bank, and it had just signed the Convention on Transit Trade of Land-locked Countries. At the national level, it was trying, with the help of the European Economic Community, to diversify its crops; unfortunately, its main commodity, cocoa, could be replaced only by coffee, tea, sugar and cotton, and conditions on the world market for those commodities were also disastrous. The policy of diversification therefore had to be supplemented by the stabilization of commodity prices, and one way to promote that objective was to conclude international commodity agreements. Cameroon had signed the International Coffee Agreement of 1962, and it hoped that the meeting of the Working Party on Prices and Quotas of the United Nations Cocoa Conference would provide a partial solution to the critical situation on the cocoa market, pending the conclusion of an international agreement.

26. His delegation also thought that the system under which commodity prices were fixed not by the producing countries but exclusively by the developed countries, which had the financial resources, was an anachronistic remnant of colonialism which it was the duty of the United Nations to abolish.

27. His delegation, while it regarded industrialization as a necessity for the developing countries, was aware of the problems of financing which it presented. It therefore felt that the industrialized countries should increase the volume of their aid to the developing countries and grant loans on more flexible terms, and it would for that reason approve the Economic and Social Council resolution 1081 F (XXXIX) establishing a specialized agency for industrial development.

28. In that connexion, his delegation favoured the merger of the Special Fund and the Expanded Programme of Technical Assistance, hoping that with the United Nations Development Programme

the interests of the developing countries would be better served.

29. Mr. INTRIAGO (Ecuador) said that, under its over-all development plan for the period 1964-1973, his country was making an earnest effort to mobilize its resources and put them to effective use. Ecuador had introduced important reforms in land tenure, taxes and administration, and, with the help of the Inter-American Development Bank, it had set up the Advisory Group on External Financing for Ecuador, in which nineteen countries and eleven international bodies were participating. In his delegation's view, the long-term solution of the economic, social and even political problems of the Latin American countries could be accomplished by speeding the process of regional integration, which would enable those countries to derive greater benefit from modern technology and would promote their industrialization. Integration could not be achieved independently of the efforts being made by the United Nations to ensure a more equitable distribution of the benefits of technological progress and economic development and to end poverty in the world. All those efforts would be in vain, however, unless a solution was found to the problems of international trade and external financing. He would confine his statement to those two fundamental questions.

30. The United Nations Conference on Trade and Development had been a major step towards a solution of the first set of problems, but, if the Conference was to bear fruit, the organs it had created must be strengthened and the industrialized countries must promptly implement the recommendations made at Geneva. The state of Ecuador's trade was a good example of the position in which many developing countries found themselves: four commodities accounted for 90 per cent of its exports; the prices for three of them (bananas, cocoa and sugar) were steadily declining, and the market for the fourth (coffee), although regularized by an international agreement, still aroused concern for the future because of the accumulation of considerable reserves and the increase in production which was expected. Hence, the only long term solution for the developing countries was to diversify their economies and their exports; that was the aim of Ecuador's development plan and of the plans of many other countries.

31. The targets of those plans could not be attained without external financing, although, as the representative of France had said, that method of financing should not be regarded as the key to progress by the developing countries. The Latin American countries had planned to mobilize sufficient national resources to cover, generally speaking, from 70 to 75 per cent of investments for the execution of their development plans. However, their national savings could not increase so long as the imbalance in their foreign trade persisted, and they might even decline as a result of the population explosion. The regularization of trade would not be sufficient to solve the problem for those countries, which must also reform their domestic institutions and formulate development policies. Although several Latin American countries had already set about doing so and had accordingly obtained authorization in principle

for a number of loans to finance the execution of priority projects, they were still encountering some very serious problems. For example, the payment of long-term loans granted by international bodies and some capital-exporting countries was conditional on the local resources which the Government concerned could, for its part, devote to the financing of a given project. Since investment in the public sector was to a large extent limited by the marked instability of exports, the country in question often lacked sufficient local resources and the loans authorized were therefore not paid in time. If the country could not afford to suspend the execution of programmes conceived for the very purpose of diversifying its economy and its exports, it had to resort to borrowing from other sources—generally medium-term, high-interest loans—which explained the foreign indebtedness of some developing countries.

32. The ability of those developing countries to call on external financing was therefore linked to the state of their export trade, so that external financing could not be fully effective until commodity prices were stabilized. Hence, it was essential to expedite the practical application of the recommendations of the Geneva Conference. Moreover, the terms imposed by capital-exporting countries should be made more flexible, since the granting of loans on terms which could not be met by the borrowing country led to refinancing operations or delays which were undesirable for both the lender and the borrower. Also in need of revision was the practice whereby a large part of financial aid to the developing countries was granted in the form of tied loans, so that it was more likely to promote the industrial exports of the countries granting aid than the development of the recipient countries.

33. His delegation felt that regional and multilateral financing bodies should be strengthened and the amount of international financial aid channelled through them increased, since they were better able to adjust to the situation in the developing countries. The countries of Latin America, which had benefited from the Inter-American Development Bank, welcomed the establishment of the African Development Bank and the steps taken to set up an Asian Development Bank at the end of the year.

34. His delegation was in favour of encouraging the establishment of advisory financing groups like the one that Inter-American Development Bank had set up for Ecuador, which made it possible for the recipient country to formulate its foreign indebtedness policy, and for the various sources of financing to decide on investment sectors, on the basis of the priorities and over-all development targets established in the national plan. Moreover, the advisory groups should concern themselves not only with the investment of financial resources but also with activities relating to technical assistance and pre-investment. In that way, they could help to bring about better co-ordination between the various sources of aid by ensuring joint action in accordance with the priorities established in national development plans.

35. In conclusion, recalling that since their establishment the Expanded Programme of Technical

Assistance and the Special Fund had done important work in the field of training, in the transfer of technical knowledge and in planning, he wished to point out that greater co-ordination would make their activities more effective. His delegation would therefore enthusiastically support a merger of the two programmes.

36. Mr. ABE (Japan) said that he agreed with the Under-Secretary for Economic and Social Affairs that the Committee should avoid excessive generalizations which did not always correspond to reality and should focus its efforts directly on the actual, specific needs of the world economy. That did not mean that it should lose sight of long-term problems or discourage a global approach to important present-day issues. However, it must be constantly aware of the danger of basing its judgement on sweeping principles and over-simplifications.

37. As was clear from the Secretary-General's report to the Economic and Social Council,^{3/} the progress achieved during the first half of the United Nations Development Decade had been far from satisfactory. Owing to a number of factors, the economic development of the developing countries had not gained the desired momentum, and those countries had not yet succeeded in breaking the vicious circle of poverty and economic stagnation. For that reason, it was sometimes suggested by pessimists that the objectives of the Decade were too ambitious and unrealistic. His delegation did not share that view. What was most important in the context of the Development Decade was not the achievement of any particular growth rate but progress towards gradually modernizing the economies of the developing countries and unanimous recognition of the need to build in common a world economy which would serve the interests of all. Hence, the significance of the various measures taken in recent years both within and outside the United Nations should not be minimized. The establishment of the United Nations Conference on Trade and Development as a permanent body, the expansion of the activities of the Centre for Industrial Development, the operation of the World Food Programme, the strengthening of United Nations technical assistance programmes and the inclusion of a new chapter on trade and development in the General Agreement on Tariffs and Trade were all positive achievements of the the first half of the Decade.

38. His Government wished to renew and re-emphasize its pledge to give its utmost support to the activities of the Conference. Several organs of the new institution had already met and had laid the foundation for its future activities. However, the secretariat had not yet been completely set up, and, in that connexion, it was most regrettable that the Trade and Development Board had had to reconsider the question of its location. It was to be hoped that the General Assembly would take an early decision on the matter for the sole purpose of setting up the effective secretariat which the Conference needed in order to accomplish what was expected of it.

39. During the past year, the countries belonging to the Conference had shown an increasing spirit

^{3/} Official Records of the Economic and Social Council, Thirty-ninth Session, Annexes, agenda item 2, document E/4071.

of co-operation and compromise, which was evident, inter alia, in the special conciliation procedures adopted by the General Assembly at its nineteenth session (resolution 1995 (XIX)). That spirit was an invaluable asset to the new institution and should be maintained in the coming years.

40. His delegation welcomed the enlargement of the Economic and Social Council, which ensured adequate representation for the developing countries. With regard to the review and reappraisal of the Council's role and functions, it was gratifying to note that a consensus seemed to have emerged on what should be the Council's three main functions: first, to assume the role of governing body for the economic, social and human rights programmes of the United Nations; secondly, to co-ordinate the activities of United Nations bodies in those fields; and, finally, to provide a forum for the discussion and formulation of broad international economic and social policies. In that connexion, his delegation welcomed the reorganization of the Special Committee on Co-ordination, which was an important step towards strengthening the co-ordinating role of the Council.

41. With regard to technical assistance, his delegation favoured the proposed merger of the Special Fund and the Expanded Programme to form a new United Nations Development Programme. With respect to the membership of the governing council of the new body, his Government felt that, while the principle of equitable geographical distribution should be re-

cognized, care should also be taken to ensure that the donor countries were adequately represented as an incentive to increased efforts on their part.

42. The importance of industrialization in the economic development process could not be over-emphasized. It was therefore encouraging to note that the activities of the Centre for Industrial Development had been greatly strengthened in recent years and that it had achieved increasing results. Although the impatience which had led to the proposal for a new specialized agency was not entirely unjustified, his delegation favoured a patient approach aimed primarily at expanding the Centre's financial resources. An interesting expansion of the activities of the Centre was its action in organizing regional symposia, in full co-operation with the regional economic commissions, to prepare the way for the world-wide symposium on industrial development.

43. It was noteworthy that the regional economic commissions were undertaking more and more activities of an operational character, such as the Mekong Development Plan. With regard to the Asian Development Bank, his Government had already made known its intention to subscribe to one fifth of its proposed capitalization of \$1,000 million. The city of Tokyo had been proposed as the site of the Bank's headquarters. Japan was gratified to note that several of the large developed countries outside the region had decided to participate in that undertaking.

The meeting rose at 5.25 p.m.