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*Chairman:* Mr. Moraiwid M. TELL (Jordan).

GENERAL STATEMENTS (continued)

1. Mr. BOLIN (Sweden) said that the flow of resources to the poor countries had practically stagnated since the beginning of the United Nations Development Decade. Unless development assistance became an integral part of the economic and social policy of the rich countries, the crisis now being talked about would soon become a grave reality. His delegation agreed with the President of the International Bank for Reconstruction and Development that the supplementary financing scheme was feasible and worthy of the most careful consideration by all Governments. Another important step would be a second replenishment of the funds of the International Development Association (IDA). The Swedish Government wholeheartedly supported the proposal to increase the total contributions to IDA from the current level of \$250 million to \$1,000 million and was prepared to pay its full share. Thus, Sweden was deeply committed to multilateral development aid and felt that the developed countries should do more to make it more efficient.

2. Planning was indispensable for the economic development of the poor countries. The United Nations must help by laying down guidelines, developing methodology and disseminating information. The work of the Committee for Development Planning was very promising, but the rich countries must organize their own economic planning with the goals of the Development Decade in mind. In other words, there must be world-wide economic and social planning. The Swedish Government therefore attached great importance to resolution 1152 (XLI) of the Economic and Social Council. Through the long-term planning recommended in that resolution, it should be possible for all countries to adjust their economic policies to the needs of the poor countries.

3. Sweden had participated at the forty-first session of the Economic and Social Council as a new member. The need for the Council was greater than ever: the establishment of the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Organization for Industrial Development (UNOID) had not stripped it of its *raison d'être*; on the contrary, there seemed to be general agreement that the Council had been revitalized and was now able to concentrate on its main work.

4. In the long run, industrialization would be the prime mover of accelerated economic and social development in the poor countries as it had been in the rich countries. At the same time, his delegation wished to express its strong support for effective measures to combat world famine. Sweden had welcomed and taken an active part in the establishment of UNOID. The new body would be able to fulfil important functions in assisting the industrialization process in the developing countries. Sweden was deeply interested in the programme of special industrial services to which it had contributed financially. It agreed that UNOID must act as a central coordinating organ for United Nations activities in the industrial field and was particularly eager to see arrangements made to prevent duplication. It would be of great value for the planning authorities in the developing countries if the United Nations and specialized agencies could assist in drawing up guidelines and disseminating information about labour-intensive production methods.

5. Sweden continued to believe that the creation of free and responsible trade unions was one of the best ways of engaging the whole population in solving the problems of development. Thus, trade unions and employers, on the national and international level, must participate fully in that task. His delegation had noted with appreciation the forthcoming world economic conference to be organized by the International Confederation of Free Trade Unions.

6. It was not surprising that many of the developing countries were disappointed at the results so far achieved by UNCTAD. But only two years had elapsed since its establishment and many of the proposals emanating from the first session of the Conference had extremely wide implications for most of the developed countries. In fact, the main achievement of UNCTAD had been the startling change it had brought about in attitudes and its identification of the real problems. His delegation hoped that the second session of the Conference would concentrate on specific issues and not waste its limited resources by tackling too many items.

7. Mr. FAKHREDDINE (Sudan) said that, despite scientific and technological advances, the disparity between the levels of living of developed and developing countries had continued to widen at an increasing rate. While the developed countries had emerged from the Second World War into a period of expansion and affluence followed by integration and rationalization, the countries of Asia and Africa had emerged from their former colonial status with weak economies which were closely tied to, and to a great extent dependent on, the economies of the industrial countries. Bilateral and multilateral assis-

tance had been necessary to help the developing countries in their efforts to raise their productivity and standards of living. Despite the general recognition that the development problems of developing countries were a joint responsibility of both developed and developing countries, however, the fundamental motivations of international assistance had always been, in the last resort, self-interest and political expedience.

8. There had been a significant contraction in the world economy and the international flow of goods and services in 1965. Production had grown by only 5 per cent in 1964-1965, the cutback being particularly noticeable in capital formation. In trade, where the rate of increase in 1965 had fallen to 8 per cent, there had been a considerable expansion in trade between the developed countries; those countries had also secured a favourable balance of about \$400 million in their trade with the developing countries. The developing countries had, however, registered a surplus of \$100 million in their trade with the centrally planned economies. Despite the increase of 32 per cent over the past four years in the gross national product of the developed countries, the over-all capital flow to the developing countries, expressed as a percentage of their gross domestic product, had declined to 0.65 per cent in 1964. Furthermore, because of rising interest rates due to inflationary pressures in the developed countries, the developing countries were having to shoulder a mounting burden of debt servicing, which was now estimated at \$3,500 million or 10 per cent of the developing countries' total earnings.

9. In addition to the reductions in capital flow resulting from measures taken by the developed countries to eliminate their balance-of-payments deficits, the flow of financial resources from international institutions had slowed down, partly because of the general shortage of capital and partly because of more stringent terms for loans from the International Bank. Although it was hoped to raise the total annual contribution to the International Development Association to \$1,000 million, it might prove difficult to replenish the present annual total of \$250 million. The prospects for the regional development banks were no better: the Asian Development Bank was just becoming operational with a total capital commitment intended to cater to the development needs of a vast continent with more than half the world's population, while the African Development Bank was still in its initial stages and so far lacked the funds to make it operational.

10. It was therefore difficult to see why, at the recent meetings of the Committee on a United Nations Capital Development Fund, the developed countries had asserted that the existing international monetary institutions were capable of financing all the development needs of the developing countries. The inadequacy of international capital flows admitted of only one solution: the establishment of a capital development fund. Following the adoption of General Assembly resolution 1521 (XV), advocating the establishment of a fund, the developing countries had endorsed Economic and Social Council resolution 1936 (XVIII) and UNCTAD recommendation A.IV.8,<sup>1/</sup> in the hope that at least

some progress might be made. However, subsequent developments had been very disappointing. Attempts had been made at the nineteenth session of the General Assembly to end, or at least drastically curtail, the activities of the Committee on a United Nations Capital Development Fund, and the Administrator of the United Nations Development Programme (UNDP) had pointed out that there was no possibility of transforming the Special Fund component of the UNDP into a capital development fund. The developing countries were, therefore, all the more likely to revert to the terms of resolution 1521 (XV) and to recommend that the General Assembly should proceed with the necessary steps to establish such a fund. The Sudanese delegation supported the recommendations in the report of the Committee on a United Nations Capital Development Fund (A/6418) that the General Assembly should adopt the draft statute for the proposed fund, and was willing to consider any amendments to the statute provided they did not in any way alter its substance.

11. The shortage of international liquidity nevertheless required the immediate attention of both developed and developing countries, since it could have a direct bearing on their balance of payments and adversely affected the flow of trade and international resources. The world supply of liquid reserves had not kept pace with the expanding flow of world trade, and the weakness of the economic structures and currencies of newly emerging countries made them largely dependent on the limited supply of convertible currencies. That dependence had strengthened the relative economic position of the developed countries in such areas as natural resources, the transfer of technical skills, and the prices of the manufacture of primary products.

12. In its report,<sup>2/</sup> the Expert Group on International Monetary Issues had advocated, *inter alia*, the establishment of a new reserve fund to which all countries could subscribe. The fund would have a link with the International Bank, to which it would advance the extra reserve sources to finance development loans. The proposals of the Expert Group had met with an encouraging response: the International Monetary Fund (IMF) had decided to provide automatic assistance to countries suffering from shortfalls in their export earnings, while the countries in the Group of the Ten which joined in the General Arrangements to Borrow had recently agreed on the principles that all countries had an interest in the adequacy of international reserves, and that the new reserve assets, when created, should be distributed to all members of IMF on the basis of its quotas or similar objective criteria. The Sudanese delegation believed that IMF at its next session should consider fully worked out suggestions for the creation of the new reserve fund as a matter of urgency, and that it was vitally important for the developing countries to take a more active role in the negotiations, in order to ensure that any new arrangement would take their interests fully into account.

13. International assistance must be put to the best possible use in strengthening, expanding and diver-

<sup>1/</sup> See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: Final Act and Report (United Nations publication, Sales No.: 64.II.B.11).

<sup>2/</sup> *International Monetary Issues and the Developing Countries* (United Nations publication, Sales No.: 66.II.D.2).

sifying the economies of developing countries with a view to raising their standards of living; international aid organizations must therefore be given the necessary freedom to select and implement projects and sufficient resources. Those principles should also be applied to the United Nations Organization for Industrial Development. The Ad Hoc Committee on UNOID had recommended that the operational activities of the new Organization should be financed from voluntary contributions, through either a pledging conference or participation in UNDP, or on a bilateral basis (see A/6229, para. 11). Each country would therefore be able to choose the method most suitable to its own interests, but the responsibility for contributing to the new Organization lay with all countries, both developed and developing. The Sudanese Government was ready to pledge its contribution directly at a pledging conference.

14. The new Organization should assist developing countries by using all the facilities at its disposal, including feasibility studies. Many such studies, although completed, had not been implemented because the projects concerned could not be financed by international organizations, or because private investors had not been well informed of their economic and technological soundness. Competition for the limited financial resources available was such that many developing countries found it difficult to interest potential foreign investors or other sources of finance in the developed countries in their feasibility studies for certain industrial projects. The Centre for Industrial Development should therefore prepare recommendations which would enable UNOID to provide the necessary link between feasibility studies and the financing of industrial projects.

15. The World Food Programme was becoming an important source of multilateral aid to developing countries, and his delegation fully supported UNCTAD recommendation A.II.6. Rather than merely aiding food-deficient countries, the Programme should be a means of helping to increase world food supplies, especially in developing countries with food-exporting potential; the developed countries might therefore have to increase their contributions in cash rather than in kind. In that connexion, the reservations contained in the eighth preambular paragraph of General Assembly resolution 2096 (XX) regarding a programme of studies on multilateral food aid should not be allowed to obscure the fact that such studies should be directed toward utilizing the resources of the developing countries with a food-exporting potential. A 50 per cent increase in grain in the next fifteen years was required merely to maintain the present position, and it was clear that the food-exporting countries, especially the developed ones, would not by themselves be able to meet the increased demand for food generated by the rising world population and efforts to achieve a higher level of living in the developing countries.

16. The developed countries had always asserted that any provision enabling the developing countries to exercise sovereignty over their natural resources would constitute a threat to foreign investment which was, in their view, the major instrument for economic development. However, they tended to overlook two

important factors. Firstly, it was essential for the developing countries to establish mixed economies, in which Governments bore an increasing share of economic development financing. That led to a heavier burden of debt-servicing and greater expenditure on social development. Secondly, developing countries were naturally eager to make the best possible use of their limited or non-renewable natural resources. The Sudanese delegation therefore hoped that the question of permanent sovereignty would now be considered in a more positive and co-operative spirit.

17. Mr. FERNANDINI (Peru) said that in the modern world there was a shortage of liquidity and growing inflation which could lead to a general crisis. The Second Committee must face that situation with prudence and realism. The most important and permanent source of economic aid was that which each country could provide for itself, through planning, hard work and capital formation. International aid, however valuable, must only be viewed as supplementary.

18. Peru considered that its own economic development could only be achieved by industrialization, self-sufficiency in food, the full utilization of its raw materials, a satisfactory trade position and stable finance. It was making an enormous effort to improve its infra-structure and had achieved spectacular results in industry and trade in recent years. It maintained a free exchange system which might appear a luxury but which had demonstrated its effectiveness by keeping the sol pegged to the United States dollars since 1959. Its economic growth was steady and satisfactory but growing inflationary pressures and a shortage of liquidity precluded a more rapid tempo of development.

19. Peru was receiving more and more financial aid from bilateral sources and laid particular stress on its links with the United States and Canada. The economic position of the western hemisphere was encouraging and Peru's development plans took full account of that geographical and economic fact. While not neglecting its traditional ties with Europe, it was expanding its trade relations with Japan. Its membership in the Inter-American system was vital for its development. Peru received assistance under the Alliance for Progress and eagerly supported the economic integration of Latin America. It took a deep interest in the multilateral aid projects of the United Nations and hoped that their objectives, particularly those of the United Nations Development Decade, would be fulfilled.

20. The Economic and Social Council, of which Peru was a member, played an important role both as a deliberating and a co-ordinating body. However, in recent sessions its agenda had been overloaded. The Council had acted on many proposals for economic development which now played a vital part in the United Nations system and it was to be hoped that its work would become increasingly effective. His Government deeply appreciated the work of the specialized agencies, particularly that of the United Nations Educational, Scientific and Cultural Organization on literacy and tourism and the Food and Agriculture Organization of the United Nations on agricultural development.

21. One of the achievements of the twentieth session of the General Assembly had been the establishment of the United Nations Development Programme. Although many States were to be congratulated on increasing their contributions, UNDP was still short of funds and the target of \$200 million had not been reached.

22. He had had the honour of presiding over the Ad Hoc Committee on UNOID which had drawn up the draft resolution containing UNOID's terms of reference. He hoped that the text would be approved by the Second Committee and the General Assembly without further debate. The industrial development of every country from the planning stage to the establishment of factories must be encouraged by UNOID. It must benefit all countries requiring its aid and not only those considered as under-developed. It must accelerate economic development through immediate and direct action and produce only those theoretical studies and projections that were absolutely essential. As a token of its interest in UNOID, the Peruvian Government had offered Lima as a site for its headquarters (A/6415).

23. Since its establishment, UNCTAD had not made much progress. Nevertheless, its very existence and its diagnosis of trade ills, together with its recommendations, would ensure its success. The Peruvian Government had welcomed the establishment of the Committee on Shipping since its work was extremely important and would have a considerable impact on the economies of the less developed countries. Peru also hoped that the Committee on Invisibles and Financing related to Trade would consolidate its work before adopting further organizational measures. Capital formation was essential for development and the United Nations must do more in that connexion. The industrialized countries must increase the flow of capital to the developing countries if the aims of the Development Decade were to be realized. Effective and audacious plans must be formulated in the Committee on Invisibles and Financing related to Trade and more progress must be made towards establishing a capital development fund.

*The meeting rose at 4.20 p.m.*