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Chairman: Mr. Ismael THAJEB (Indonesia).

GENERAL DEBATE COVERING ALL AGENDA ITEMS REFERRED TO THE COMMITTEE (*continued*)

1. Mr. BERNARDES (Brazil) said that the debate in the Second Committee during the eighteenth session of the General Assembly should be particularly significant, first of all because the mid-point of the United Nations Development Decade had almost been reached and the time had come to take stock of what had been achieved and to reappraise methods, approaches and attitudes towards the various tasks facing the international community in the course of the Decade; and, secondly, because the time for the United Nations Conference on Trade and Development was rapidly approaching and that would probably be the most important event in the field of international economic co-operation ever to take place under the aegis of the United Nations.

2. He thought that a survey of the developments in the past year, and especially the information contained in the World Economic Survey, 1962 (E/3761/Rev.1 and E/3774) did not give grounds for optimism, despite the implication to the contrary discernible in the Survey. For his part, he felt rather pessimistic, and more convinced than ever that economic development was practically impossible with the present structure of the world economy, and that the gap between the standard of living of the developing countries and that of the advanced countries would widen increasingly in the next few years if present trends were not corrected.

3. Between 1961 and 1962, production in practically all the major sectors in the developing countries had either declined or expanded at a much slower pace than in preceding years. Of a total of eighty developing countries, not less than 60 per cent had recorded a decline in per caput agricultural production between 1960/1961 and 1961/1962. There was a marked tendency for the rate of expansion in manufacturing to fall below that recorded in preceding years. In southern and south-eastern Asia, it had fallen from 12 per cent in 1959/1960 to 6 per cent in 1961/1962. In Latin America, where it had previously been 6 per cent, it had been only 1 per cent in 1961/1962. The rate of growth of manufacturing output in the less industrialized countries as a group had shown a marked slackening during 1962, falling to about 1 per cent during the final quarter. Only extractive production had increased, in sectors geared to external markets. That meant that the underlying

factors responsible for low output and productivity had remained unchanged in those countries, the only gains being in response to windfall increases in the demand for their exports in the United States, Western Europe and Japan. In 10 per cent of the countries considered, the gross domestic product had been lower in 1962 than in 1961, and in more than 40 per cent it had failed to keep pace with the growth of the population. Two thirds of those countries had recorded no increase whatever in gross per caput consumption. One fourth of them had experienced a decline in fixed investment. The average rate of increase of investment had been appreciably lower than in the two preceding years.

4. Since the beginning of 1963 there had been a slight improvement in the situation, in terms of firming of commodity prices. As the World Economic Survey noted, however, past experience tended to prove that those trends could have only a marginal effect in altering the prevailing structural relationships. As the Survey pointed out, the price increases had not affected all commodities and, in particular, some which played a vital role in the balance of payments of certain countries had not benefited from the increases. Secondly, price increases had been in relation to an extremely low base: only in a very few cases had the average 1962 price been above the level of ten years earlier. Thirdly, and that was much more fundamental from the point of view of the long-term prospects of the developing countries, the price increases had been induced almost entirely by fortuitous movements on the supply side. There had been no indication that demand for primary commodities had increased in any significant way. That meant that earnings would not rise commensurately with price increases. In short, he felt that developments in price behaviour during 1963 should be rather sobering, in that they confirmed the cyclical character of commodity price movements and showed that the present structure of the world economy made domestic economic development conditional upon windfall movements of external markets.

5. It was within that gloomy setting that the tasks facing the international community in the remaining years of the United Nations Development Decade had to be viewed. As the Under-Secretary for Economic and Social Affairs had pointed out (881st meeting), the Decade should be something more than a series of events, however glamorous. The test of the United Nations performance should be in terms of results. It was with that in mind, and in complete fairness, that his delegation had to admit that, unfortunately, the promises of the Development Decade had not so far materialized. The objectives set forth in General Assembly resolution 1710 (XVI) were ambitious ones, and the task laid on Member States and international organizations was an impressive one. However, a

look at the situation of developing countries showed that practically none of those objectives had been achieved. The record with regard not only to public health, but also to education, development of natural resources, technological progress, industrial progress and the development of international trade was negative. The first two years of the Development Decade had been singularly disappointing. Granted that the task was colossal, the explanation for the failure of the United Nations might perhaps be attributed, at least in part, to some fundamental faults in the conception and formulation of the programme.

6. The first thing that struck anyone reading resolution 1710 (XVI) was that its authors appeared to assume that no additional resources would be needed for the attainment of the goals of the Decade. It was, to say the least, unrealistic to establish the goal without specifying the means. Another difficulty was that the United Nations system was simply not equipped, from the institutional point of view, to carry out the tasks set by the Decade. The means available to the United Nations in the field of technical assistance and pre-investment activities were not adequate; there was no mechanism within the framework of the Economic and Social Council for keeping under review the flow and terms of investment in the developing countries, and there was no specialized agency for industrial development similar to existing agencies in the fields of education, health and agriculture. Although the establishment of new institutions would not guarantee that the necessary efforts would be undertaken, without them the United Nations would have no means of performing the tasks set for the Decade. Thirdly, the target of a 5 per cent rate of growth of aggregate national income of developing countries was clearly not adequate to meet the minimum requirements of those countries. In fact, 5 per cent would be barely sufficient to offset population increase. Moreover, that quantitative target was entirely inconsistent with the qualitative objectives described in resolution 1710 (XVI), particularly with regard to economic diversification and elimination of illiteracy. His delegation was convinced that in order to attain the goals set forth in that resolution, a much higher rate of growth would be necessary. The Committee would be making a useful contribution to the success of the Development Decade if it decided to revise upwards the target of 5 per cent.

7. Turning to the question of collective economic security, he recalled that that concept derived from the idea of collective security in the political sphere and that, like the latter idea, it implied security machinery by means of which immediate action could be taken to meet any economic crisis in the underdeveloped world and any deterioration in the position of a particular economic sector in the developing countries. The international commodity agreements were examples of such machinery providing for appropriate action in each case to deal with a temporary imbalance. Collective economic security, however, was based on another premise by which it was clearly distinguished from collective security in politics. The latter presupposed a normal general situation, interrupted only by certain military or other crises. In the economic sphere, there was no basically normal situation. A situation in which three quarters of the human race lived in subhuman conditions could not be described as normal. From

the economic point of view, a permanent state of emergency prevailed. Collective economic security should aim, not at a restoration of the status quo as did political collective security, but, on the contrary, at creating a new situation more in tune with the needs of the developing countries. It should not only forestall economic difficulties, but also overcome them. It should therefore comprise a dynamic element in the form of long-term action focused on structural factors. Thus defined, it presupposed three conditions: the accelerated industrialization of the developing countries, an adequate flow of development capital and an international trade structure consistent with the needs and objectives of the developing countries.

8. With regard to industrial development, it should be recalled that when the United Nations had been founded, industrialization had not yet been regarded as a necessity and the emphasis had been on the development of agriculture. The United Nations Charter, for example, made no reference to industrialization. It was true that the Organization's attitude had since changed, particularly since the adoption of resolution 521 (VI) by the General Assembly in 1951. A number of organs, including the Committee for Industrial Development, had been set up. But those had been merely preliminary steps and it was obvious that a more drastic institutional reorganization was called for. Many delegations were greatly disturbed at the absence of a central agency that might exercise leadership in the field of industrial development, similar to other agencies operating in other fields. Although theories had evolved considerably in the United Nations organs, the fact remained that resources devoted to industrialization were approximately forty times less than those devoted to agricultural development. For those reasons, many delegations, including his own, considered that the time had come to establish a specialized agency for industrial development. In that connexion, his delegation endorsed the conclusions formulated by the Advisory Committee of Experts on the Industrial Development Activities of the United Nations System in the report before the Second Committee (E/3781, annex VIII), but not its recommendations. UNIDO, the new agency proposed by the experts, would be preferable to the existing system, but it fell far short of meeting the needs of the developing countries. The most appropriate institutional framework for United Nations activities in the field of industrial development was beyond any doubt a specialized agency with sufficient financial and personnel resources and endowed with unrestricted operational capacity. He might revert to that question in due course.

9. The definition of industrial development was not merely a semantic problem. It was important to know precisely what was meant by industrialization if the correct order of priorities was to be determined and the real contribution of the United Nations to the industrial development of the developing countries was to be assessed. The definition of industrial development contained in the report of the Committee for Industrial Development on its third session (E/3781, para. 89) was precise and placed due emphasis on the manufacturing sector. The General Assembly would be well advised to adopt it.

10. With regard to the possibility of setting a specific target for the industrial sector within the framework of the United Nations Development Decade, the General

Assembly might, if it decided to take up the question of reviewing the 5 per cent target set in resolution 1710 (XVI), at the same time set a goal for industrial growth in the developing countries. The publication entitled The United Nations Development Decade: Proposals for Action (E/3613 and Corr.1 and 2) estimated that if a 5 per cent increase in aggregate national income was to be achieved, manufacturing output in the developing countries would have to rise by no less than 130 per cent. His delegation would like the Secretariat to give some clarification on that point.

11. With regard to science and technology, he recalled that his country had taken a very active part in the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas, and it therefore welcomed the initiative taken by the Administrative Committee on Co-ordination to establish the Sub-Committee on Science and Technology. His delegation was particularly glad to note that the Economic and Social Council had decided to establish an Advisory Committee on the Application of Science and Technology to Development. That committee should give the fullest attention to the application of the technology of the advanced countries in the developing countries and to the means of facilitating to the maximum extent the access of developing countries to that technology without the restrictions imposed by monopolistic practices in that field. It was with that objective in mind that the delegations of Brazil and Bolivia had submitted to the General Assembly a draft resolution which had become resolution 1713 (XVI), requesting the Secretary-General to prepare a study of the role of patents in the application of technology for the benefit of the less developed countries. The study, which could not be completed in time for the current session, should be available to the United Nations Conference on Trade and Development in connexion with item IV of its provisional agenda, relating to invisible trade. His delegation would revert to that question at a later stage.

12. The maintenance of economic development in the developing countries depended increasingly on their ability to obtain sufficient capital from outside sources. So far, financial assistance provided on a bilateral and multilateral basis had been of a conventional or commercial nature, which was far from meeting the fundamental requirements of the developing countries. A considerable part of that aid had been in the form of short-term loans intended to offset short-term fluctuations in export receipts. The developing countries had frequently found their short-term liabilities growing to such an extent that they had been compelled to turn to official agencies in the major capital-exporting countries to refinance and consolidate such debts. Although that practice had helped to maintain the international flow of goods, it could not be said that such utilization of the limited international resources available was the most effective from the point of view of economic development.

13. The World Economic Survey, 1962 pointed out that a substantial proportion of the financial assistance given by the capital-exporting countries to developing countries had merely served to restore to the latter the external purchasing power which they had lost through the deterioration of their terms of trade. But that assistance had cost the developing countries dearly: debt service payments had considerably aggravated their negative balance-of-payments posi-

tion, reducing their import capacity and consequently the rate of their economic development. It would thus be seen that international financial assistance did not yet meet the basic requirements of those countries and, by taking the form of short-term relief operations, had only served to add to the general problem of under-development in the long run. More than ever, it was now essential to frame a rational aid policy to help the developing countries to carry out their development plans.

14. If assistance was to be geared to the requirements of economic development, his delegation proposed that the international community should take two basic steps. The first step was to encourage the increased utilization of multilateral aid, which at present represented only 10 per cent of total assistance. That type of assistance had two major advantages over bilateral aid: it was less likely to contain non-economic elements which might be a source of strain and controversy between donor and recipient countries; it did not impose on the latter restrictions as regards the source of procurements, thus enabling them to obtain the equipment and supplies they required at the lowest possible cost.

15. However, it could not be said that multilateral financial agencies were altogether free from political influence. In that connexion, it should be noted that the recent decision of IMF to reassess the world's liquidity position was obviously a consequence of the hegemony enjoyed by the developed countries over the flow of international capital and international means of payment. It was interesting to see that the group of ten nations which was to undertake that reassessment did not include a single developing country. Multilateral aid could be fully effective only if it was free from control and influences alien to its nature. It should be under the political control of the United Nations General Assembly in which every State enjoyed equal voting power. Consequently, the second step which the Brazilian delegation considered essential to ensure the best possible use of international resources for the benefit of the developing countries was the bringing into operation of a United Nations capital development fund.

16. Economic development financing was an activity in which the United Nations had not thus far engaged. Yet the developing countries had repeatedly reaffirmed their faith in the capacity of the United Nations to undertake the task. For more than ten years, they had struggled to make SUNFED a reality. But although that fund had been established in principle by General Assembly resolution 1521 (XV), it ran the risk of becoming a dead letter owing to lack of financial resources and the negative reaction of a number of advanced countries which would be the main contributors. The Committee on a United Nations Capital Development Fund had been unable to agree on how to make the fund operational because those same advanced countries had opposed all the proposals put forward. Nevertheless, a substantial majority of that Committee had recommended to the General Assembly, as was set forth in the Committee's report on its third session (A/5536), that a study should be made by the Secretary-General of the practical steps to be taken to transform the Special Fund into a capital development fund. His delegation regarded the establishment of a capital development fund within the framework of the United Nations by whatever means possible as a necessary step towards better international co-operation.

17. The problem of contributions to a capital development fund appeared to be at the root of all the difficulties encountered by the developing countries in their long and arduous struggle to translate their aspirations into reality. At the opening of the general debate in plenary meeting, the Brazilian Minister for Foreign Affairs had suggested (1208th meeting) that, since general and complete disarmament was not forthcoming in the near future, 1 per cent of current military outlays should be set aside for economic development and that that sum, which would exceed \$1,200 million, should be made available to the capital development fund. The Brazilian delegation was pleased to note that several speakers had reacted favourably to that suggestion.

18. Even before a United Nations capital development fund became operational, it would be necessary to keep under systematic review the international flow of development capital and to propose measures to increase its quantity and improve the terms. The Brazilian Government, guided by those considerations, had suggested the establishment of a standing committee of the Economic and Social Council for that purpose. The question of the flow of capital was the only important economic issue that was not being dealt with by a Council committee.

19. The Brazilian Government strongly supported the strengthening and expansion of United Nations technical assistance activities, which were a natural complement to the efforts being made in the field of international trade, industrial development and capital financing to combat the under-development which was the lot of the vast majority of peoples. Accordingly, his delegation welcomed the increase in the financial resources of the Expanded Programme of Technical Assistance and the Special Fund and, as in the past, would oppose the trend to reduce or freeze the funds appropriated in the United Nations budget for the regular programme.

20. However, the very fact that technical assistance programmes were expanding raised a complex co-ordination problem. The task entrusted to the Ad Hoc Committee established under Council resolution 851 (XXXII) was one of paramount importance to the future of the technical co-operation policy of the United Nations. That Committee's interim report (E/3765) contained some valuable suggestions, but his delegation had serious misgivings concerning the use of oversimplified formulae to cope with such complex problems as the co-ordination of United Nations technical assistance activities. However appealing it might seem, co-ordination through integration did not appear to be the right approach to the problem, particularly as regards the relations between the two main programmes of technical assistance.

21. It was well known that the establishment of the Special Fund had been the result of a hard-won compromise. General Assembly resolutions 1219 (XII) and 1240 (XIII) stipulated that the Special Fund should remain a separate fund and might evolve into a capital development fund. Moreover, the Special Fund's preinvestment activities differed from the type of assistance provided by the Expanded Programme and the regular programme. Consequently, so long as a capital development fund had not been established, Brazil could not agree that, for the sake of co-ordination, the Special Fund should be absorbed by the Expanded Programme. In fact, it was gratifying to note that the Managing Director of the Special Fund,

in his statement before the Second Committee (882nd meeting), had acknowledged that the time had come to extend the activities of the Special Fund to the area of direct investment by utilizing part of its cash balances for developmental purposes. The General Assembly would certainly take the suggestion into consideration in adopting a final decision regarding the transformation of the Special Fund.

22. Although international co-operation could play a major role in industrial development and technical assistance and in development financing, it was in the area of trade that the most significant progress could be achieved. However, the World Economic Survey, 1962 gave no cause for optimism. The basic trend which had been operating to the detriment of the developing countries showed no sign of reversing itself and the few indications of improvement were due to accidental and transient factors. Although it was recognized that an increase in the export earnings of developing countries was an essential condition for the success of their development efforts, a more accurate appraisal of the current position was in order. It became clear that international trade, instead of promoting the development of the developing countries, had been a source of relative impoverishment and had contributed to widening the gap between them and the industrialized nations.

23. No effective programme to improve the trade position of those countries could be worked out so long as there was no full understanding of the causes of the existing situation. A revision in depth of the present structure of international trade was called for, to bring it into conformity with the needs of the developing countries. Indeed, what distinguished the forthcoming United Nations Conference on Trade and Development from previous initiatives in that field was that it aimed not only at seeking specific solutions to specific problems, but also at making international trade a more effective instrument of development. Thus, the results of the Conference should be measured in terms of the progress made towards that end. Seventeen years after the failure of the United Nations Conference on Trade and Employment, held at Havana, the worsening of the problems confronting countries with low per caput income and the widening of the gap between the rich and poor nations had created a clearer understanding of the role of international trade in accelerating and sustaining economic development.

24. Furthermore, all countries had become aware of their collective responsibility. It was obvious, of course, that the developed countries, which had thus far benefited from the situation, bore the heaviest responsibilities. On the other hand, the interests of a few countries should not be sacrificed for the benefit of the many; on the contrary, the objective should be to alter trade patterns in order to foster the development of the developing countries, with the certainty that a global expansion in the volume of trade and the resulting increased prosperity would be beneficial to all countries. That was a long-term undertaking and the Conference could scarcely be expected to do more than take a first step in the right direction. Its task would be an arduous one and if it did not succeed in laying the foundations for a new trade structure, it would defeat the purposes of General Assembly resolution 1785 (XVII). Moreover, the same problems would inevitably arise once again, but in an even more unfavourable atmosphere.

25. The joint declaration by representatives of seventeen developing countries, as contained in the report of the Preparatory Committee of the Conference on its second session (E/3799, para. 186), had clearly defined the aims of the Conference. It was essential that the Conference should set both the quantitative and qualitative goals, that it should review the principles governing world trade with a view to formulating new principles and rules conducive to the attainment of those goals, and that it should create institutional machinery capable of giving continuity to international action directed towards that end.

26. A new international division of labour must therefore be envisaged and that implied the establishment of new patterns of production and trade. What was needed was not only the expansion of the traditional exports of developing countries, but also the development of markets for their new products and an increase in their share of world exports. As the Under-Secretary for Economic and Social Affairs had so aptly pointed out, the way to the attainment of those goals must be charted with quantitative landmarks. In order that the Conference might make some progress in the treatment of development problems, it was essential—as his delegation had stated at the second session of the Preparatory Committee—to determine the minimum volume of trade necessary to induce a rate of growth commensurate with the targets set. In other words, once the United Nations had set a development target—and it should be less conservative than that prescribed in General Assembly resolution 1710 (XVI)—the necessary volume of trade should be deduced therefrom. Only within that framework of quantitative objectives could the Conference take decisions in a purposeful manner.

27. His delegation had always stressed the need of elaborating new principles and operational rules under which world trade could be used as a lever of economic development. The present inchoate situation in world trade worked to the disadvantage of the developing countries. The failure of the Havana Charter for an International Trade Organization and the shortcomings of the General Agreement on Tariffs and Trade demonstrated that the principles embodied in GATT—full reciprocity in trade concessions and the unconditional application of the most-favoured-nation clause—were inconsistent with the needs of the primary-exporting economies. True, it was now being more and more widely recognized that those principles allowed of exceptions; but the recognition of exceptions to a rule did not mean it was unnecessary to adopt a new rule. The problem was even more complex than that, for it also demanded a widening of the scope of the existing rules, a filling of existing gaps and, above all, the creation of a coherent and functional whole which was compatible with the goals being sought.

28. Furthermore, it was claimed that, in the context of the Conference, any discussion of principles and rules would tend to divert attention from the adoption of concrete solutions to the many problems that would be on the agenda. Nothing could be more fallacious. As much as any other developing country, Brazil was interested in any practical and immediate solutions that could be found in the fields of primary products, manufactures, invisible trade and financing, and it would give its full co-operation in those matters. It could not accept, however, that the Conference should waste the unlimited political power it had generated on

minor concessions in isolated issues. What was at stake was much more than a tariff reduction on cocoa or coffee. It was the structural modification of the entire world economy. When dealing with specific problems, sight should not be lost of over-all objectives in the name of blind pragmatism. That would work against the aims of General Assembly resolution 1785 (XVII) and the principles embodied in the joint declaration by representatives of developing countries, and the cause of international co-operation could only suffer thereby.

29. If the Conference was to be fully successful, a **third** condition must be met. Measures must be taken to ensure the implementation of the decisions adopted and to provide continuity of subsequent efforts in the field of trade and development. As the Under-Secretary for Economic and Social Affairs had rightly stressed, everything would depend on the machinery which the Conference would be able to set up to carry, through the years lying ahead, what must be a long-term task.

30. It was obvious that the importance of the institutional structure could not be underestimated in solving the trade problems of developing countries. The history of the existing institutions was the best proof that it was an area in which new attitudes and approaches were needed. The hopes created by the meeting of the ministers of GATT in May had been disappointed, despite the declarations of good intentions made at the earlier meeting on the subject of the trade needs of developing countries. The ministers of the less developed countries sponsoring a programme of action had expressed disappointment at the attitude of some industrialized countries. The programme as approved fell far short of the minimum conditions necessary to enable less developed countries to make their full contribution to the expansion of international commerce and represented a compromise between the difficulties stated by some industrialized countries and their responsibilities under the General Agreement.

31. For that reason, the Conference must not confine itself simply to eliminating duplications and conflicts in the existing machinery. Constructive as that task was, it did not go far enough. The primary need was to set up a central agency to which the decisions of the Conference would be referred and which would be responsible for supervising their implementation. **With the present structure, it would be impossible to accomplish so complex a task.**

32. Accordingly, at the second session of the Preparatory Committee, Brazil had strongly urged the creation of a sub-committee to consider institutional questions. Despite the opposition that initiative had met, Sub-Committee 4 had performed an extremely useful task. It had analysed the report of the Group of Experts appointed under resolution 919 (XXXIV) of the Economic and Social Council (E/3756), and had formulated criteria for any new machinery that might be set up. His delegation unreservedly endorsed those criteria, as set forth in the Preparatory Committee's report (E/3799, para. 180). It favoured the creation of a new body within the United Nations framework capable of performing a wide range of functions in the field of international trade and conceived as an instrument of economic development. At the appropriate time, Brazil would submit to the Conference proposals on the possible structure of such a body. Nevertheless, that matter required such far-reaching agreement among all parties concerned that his delegation would

enter the debate with no dogmatic views and with a completely open mind. The Conference's decision in that matter would depend on the progress achieved in the other areas covered by the agenda.

33. Brazil had participated actively in the preparatory work of the Conference, and it wished to thank the Secretary-General of the Conference and his staff for their efforts and for the substantial progress already achieved. As the Yugoslav representative had recently pointed out, the Second Committee should study and specify the objectives to be sought, even if the item was not on its agenda. Delegations should use the present opportunity to clarify their positions and to exchange ideas. Discussion of the subject would also enable countries not represented in the Preparatory Committee to express their views on the work in progress and on the problems which the Conference would confront. His delegation hoped that such discussion would be conducted in the spirit of the joint declaration by representatives of seventeen developing countries issued at the close of the second session of the Preparatory Committee. It also hoped that the General Assembly would endorse that declaration, which was a symbol of the legitimate aspirations of many countries. Such an endorsement would be an important step towards achieving the international co-operation that could make the Conference a turning point in the evolution of the United Nations.

34. Without the fulfilment of those three conditions—the adoption of an international programme for industrialization, the provision of development capital in sufficient volume and on adequate terms, and the use of international trade as a means of development—collective economic security would remain a mere dream. Thanks to recent scientific and technical advances, man now possessed the power to abolish poverty. All countries, whether rich or poor and regardless of their economic system, should unite their efforts to achieve that end through the accelerated economic development of developing countries.

The meeting was suspended at 5.30 p.m. and resumed at 5.50 p.m.

35. Mr. ARKADYEV (Union of Soviet Socialist Republics) said that certain studies on the current economic situation offered highly optimistic appraisals. That was, in particular, the weakness of the World Economic Survey, 1962. Even that document, however, recognized that in 1962 there had been a slackening of production in some of the industrially developed countries of the capitalist world. Exports had dropped or had become stabilized, as had the demand for investment capital. In certain Western countries, unemployment had risen, and various branches of industry were not producing at full capacity. The basic phenomenon observed in the market economies had been a deterioration in the balance of payments of some of the developed countries and many of the less developed countries. Inflation and the rising prices which went with it had emerged as a characteristic phenomenon in many countries of Western Europe. Regardless of what certain theoreticians might say, the inflation occurring in some countries was slowing down the production and trade of the countries which had relations with them. To curb that inflation, it had been proposed that the rate of increase in production should be slackened and that wages and salaries should be lowered, but those measures entailed social and economic consequences which were only too well known. Meanwhile, the

ravages of inflation were continuing in many developing countries which did not yet have balanced development plans.

36. The dollar shortage by which most of the countries without planned economies had been affected after the war had been succeeded by a relative surplus of dollars in financial transactions, and there was now a trend in international trade operations to use other currencies. There was active discussion, in that connexion, of international liquidity as a factor in the development of trade. Yet no heed was paid to a development factor which was equally important for international trade, namely, the existence of the socialist countries, whose economic importance was steadily increasing.

37. The under-utilization of production capacity in the industrialized countries of the West had resulted in a general slackening of investments in 1962 and 1963, as was apparent from the data supplied by the secretariat of the Economic Commission for Europe. That slackening had occurred in all the non-planned economies.

38. The slackening rate of growth and investments naturally gave rise to great concern, and it would be difficult to find any grounds for expecting that the Western countries could **improve** their rates of economic growth within the foreseeable future. In many countries, the unhealthy signs of crisis pointed out in the World Economic Survey affected a large number of industries and were the expression of contradictory and convulsive movements in the market-economy countries. Those unfavourable trends and phenomena would certainly worsen and react upon one another.

39. An analysis of current world economic trends showed that the rate of growth of the planned-economy countries, namely, the socialist countries, was on the whole double that of the countries of the non-socialist world. That was an extremely significant ratio. The essential factor in the rapid economic development of the socialist countries was the policy of industrialization which gave emphasis to the production of capital goods, to the establishment of a solid foundation which was now making possible the rapid expansion of those branches of industry and agriculture catering directly for the consumer goods requirements of the population.

40. The year 1962 and the first half of 1963 had been characterized in the USSR by the continuance of peaceful economic construction. The goals of the State industrial plans had in general been not only attained but even surpassed. The expansion of investments and the exploitation of natural resources, which were in a sense the crash targets of the national economy, had been accelerated. The number of enterprises which would go into production throughout the country in 1964-1965 was expected to double. Particular importance was attached to the development of such essential branches of the national economy as chemistry, which would provide new ways of ensuring the expansion of agriculture and satisfying consumer needs, and to the transfer of science and technology to the economic plane. The development of all branches of the national economy was based on mechanization and automation and the use of the most advanced techniques and machinery. The result had been an increase in productivity during the last years of the seven-year plan which had made it possible to raise industrial output by two thirds.

41. In 1962 and the first part of 1963, agriculture in the Soviet Union and a number of other socialist countries had been beset by extremely unfavourable weather conditions. Nevertheless, the USSR had spared no effort in that regard to reach the major target of a very rapid increase in the yield of agriculture and live-stock with a view to ensuring better quality and lower prices. Irrigation programmes and the wide-scale use of fertilizers were now in the forefront of agricultural planning; they would reduce to a minimum the unfavourable effects of bad weather on agricultural output and would guarantee an output of 44,400,000 tons of cereal per annum. The high level of technology and productivity attained in the Soviet Union and the trained personnel at its disposal would unquestionably enable it to reach that goal.

42. At the same time, measures, particularly mass housing construction, had been taken throughout the country to increase the material well-being of the people. During the past six years, 489 million square metres of properly equipped housing had been constructed by the State in towns and urban settlements, with the result that the living conditions of 75 million people had been improved. In addition, several million individual dwellings had been constructed in rural areas with State aid. Housing built in 1963 alone covered a total area of 91 million square metres.

43. The Soviet Union had also improved other sectors of its economy, and in particular its foreign trade. The volume of trade for 1962 had amounted to more than 12,000 million roubles; trade with all countries of the world had increased by 11.5 per cent and trade with the developing countries by more than 30 per cent. During the first six months of 1963, foreign trade had reached a figure of nearly 6,000 million roubles. There was an increasing trend on the part of the non-socialist countries, whether developed or in the process of development, to expand their trade relations with the Soviet Union and the other socialist countries.

44. The developing countries were now engaged in a massive effort to eliminate the economic and social consequences of colonialism by a variety of means including industrialization, the transformation of agriculture, the expansion of the public sector and the nationalization of certain key branches of industry and trade such as banking. Ever-increasing importance was being attached to long-term planning, the establishment of new industries, power production and transport. It was obvious that the economic growth of the developing countries would be much more rapid if it were not for the new manifestations of colonialism. The situation of the countries of Asia, Africa and Latin America continued, however, to be difficult in the extreme. In some countries, industry represented no more than 10 or 15 per cent of the national product and in a number of cases only 2.5 per cent. Among the real reasons for the difficulties of the developing countries were, as had rightly been pointed out, a lack of financial resources, balance-of-payments difficulties, a lack of the resources and capital equipment required for industrialization, the drop in raw material prices, the deterioration in the terms of trade of the developing countries with the industrialized capitalist countries, domination by foreign companies, inability to exploit natural resources, the absence of trained personnel and, in many cases, lack of experience in economic planning. Co-operation with, and economic and technical assistance to, the developing countries were thus far-

reaching and important matters which should be discussed at the forthcoming United Nations Conference on Trade and Development. The competent United Nations bodies should draw up long-term economic development programmes and projects for the training of key personnel in the developing countries. Steps should also be taken to guarantee the sovereign rights of the developing countries with respect to the utilization of their natural resources.

45. Many of the problems mentioned centred around the problem of foreign trade, for the economic situation of the developing countries depended in very large measure on their ability to find foreign markets for their products and raw materials. In most cases, it was a question of two or three items at the most. Despite some progress in industrialization, primary commodities and raw materials still constituted nearly 80 per cent of the exports of the countries of Africa, the Near East and Latin America, and 65 per cent of those of the Asian countries. As a result, the developing countries were particularly vulnerable to the slightest fluctuations in marketing possibilities or in the prices of their basic exports.

46. There had been a decrease in the proportion of raw materials and primary commodities in world exports and, therefore, a diminution in the share of the under-developed countries in international trade. That trend had become even more marked since the war. The reasons for it had been analysed many times in the statements made by the representatives of the developing countries.

47. It was well known that that situation was due to a top-sided distribution of trade on the part of the capitalist monopolies, which had held back the industrialization of the under-developed countries. Those countries were therefore dependent on foreign markets, and their economies were extremely sensitive to the fluctuations on those markets which were often the result of a decline in industrial activity in the developed countries. The situation had been aggravated by the fact that, after the Second World War, various capitalist countries had increased their production of certain raw materials and had changed over from importers to exporters. In addition, raw materials now had to compete with synthetic materials. The fall in prices had therefore had very serious consequences for the under-developed countries, which could obtain foreign exchange only by exporting their primary commodities. Whereas those countries needed increased resources in order to finance their imports of capital goods, their resources had actually decreased, in many cases, in 1961 and 1962. Despite the rise in the prices of some primary commodities, there were no grounds for optimism, for the economies of the under-developed countries were still controlled by foreign companies which unilaterally determined to trade in those commodities. Those monopolies made enormous profits, which they repatriated to their home countries. That was particularly striking in the settlement of the balance of invisible trade and in the profits from freight, insurance, etc., which were much larger than the original investment.

48. The President of the International Bank for Reconstruction and Development had admitted that in many of the under-developed countries the burden of foreign indebtedness was too heavy and the conditions for borrowing unfavourable. That situation had been stressed by many delegations, and in particular

by the delegation of Dahomey which had stated (888th meeting) that the developing countries should be able to borrow at very low interest rates and repay their debts with supplies of local products. The USSR delegation wished to emphasize that the USSR, in its relations with the developing countries, accepted that method of payment. The question of loan facilities and the possibilities of obtaining industrial equipment and installations on reasonable terms should be considered by the United Nations Conference on Trade and Development. The situation in that respect still left very much to be desired, and the prices of capital goods were rising steadily, while those of primary commodities were falling. The industrialized capitalist countries had consequently made enormous profits on their exports of capital goods, even though their productive capacity had not in many cases been fully used.

49. The USSR delegation was of the opinion that a solution to the problem of providing industrial equipment for the developing countries must be sought through the establishment of a capital development fund which could promote investment.

50. It might be wondered also whether the resources of the Special Fund and the technical assistance programmes were being used in the most effective way. Their total resources should reach \$240 million during the period 1962-1965, and about \$1,000 million for the decade as a whole. If half that amount was devoted directly to industrial development, the results would be much more fruitful than if it was used for meetings on industrialization and for pre-investment activity.

51. For its part, the USSR was furnishing technical assistance to more than twenty developing countries and was helping to install complete production units in all branches of industry. For instance, it was now co-operating in the construction of thirty-four plants for the manufacture of products made from ferrous and non-ferrous metals, twenty chemical and petrochemical plants, twenty electric power stations, twenty building materials factories and eighty factories for light industries. Quite recently, a loan of \$100 million had been granted to Algeria, and a technical co-operation agreement with that country would come into force shortly. The Western countries now recognized that the developing countries were no longer entirely dependent on the West for their development. It had been possible for the USSR to provide such assistance because of the rapid growth of its production of capital goods. In 1961-1962, Soviet machinery was already being exported to more than thirty developing countries and to fourteen industrialized countries. Prospects continued to be highly encouraging, and under the seven-year plan production was to be doubled, so that it would have reached ten or eleven times its original level within twenty years.

52. The foreign trade of the developing countries was still impeded by obstacles put in its way by certain Western circles. The European Economic Community had introduced higher tariffs for manufactures and semi-manufactures than for primary commodities, a step which was hardly likely to encourage the industrialization of the developing countries. Whereas the trade relations of the Western countries with the under-developed countries were still stamped with the marks of colonialism, those of the socialist countries were based on respect for sovereignty, non-intervention, equal rights and mutual benefit. Furthermore, the rapid development of those relations proved their

value. During the period 1956-1961, purchases of primary commodities by the socialist countries had increased by \$500 million, while those of the Western countries had declined. The leaders of the developing countries had thus been able to appreciate the importance of the technical assistance offered by the socialist countries and the desirability of trading with those countries. The USSR had already concluded trade agreements with more than thirty countries, including India, Burma, Guinea, Libya and, just recently, Mali.

53. The developing countries now realized the advantages of long-term trade agreements which enabled the parties to them to plan well ahead. They were not, however, alone in that, for the developed countries also were realizing the possibilities which an expansion of East-West trade opened up for them, particularly with regard to the strengthening of their currencies and the improvement of their balance of payments. The representative of Italy had recently noted with gratification that many Western European countries were expanding their trade with the Eastern countries. Trade between Italy and the socialist countries, for instance, had tripled in recent years. The Soviet Union welcomed that trend, which was of benefit to all. Unfortunately, there were still a great many obstacles and considerable opposition. That was especially regrettable as the expansion of trade between the Western and the socialist countries necessarily benefited other regions, that is, most of the developing countries.

54. Everyone agreed on the importance of the forthcoming United Nations Conference on Trade and Development, which certainly should be a great help in solving the problems of development. One of the prime objectives would be to put an end to the discrimination which impeded the steady growth of world trade. The Conference would take up many important questions, such as the conversion to peaceful needs of the resources released by disarmament, economic aid to the developing countries and the future expansion of international trade; but it must, above all, take a decision regarding the establishment of an international trade organization, of which all countries, without exception, should be members. The preparatory work on the Conference was going ahead rapidly; the Secretary-General had already been appointed, and the necessary documents were being prepared.

55. The Soviet delegation would like the Second Committee to consider the proposal for the establishment of an international agency so that the Conference could take up that matter and give it all the attention it deserved. In view of the present chaos in international trade, it was absolutely necessary to establish a central organization which would be responsible for solving the serious and urgent problems which existed in that field. The existing international agencies that were concerned, either directly or indirectly, with questions of world trade were no substitute for a central organization, linked to the United Nations, which would seek the means of developing trade for the greater benefit of all countries, regardless of their level of development or their economic and social structure. In view of the importance of trade as a factor in economic development, it was astonishing that there had not yet been any decision to establish a specialized agency to which all countries, without exception, would belong, and which could act in fields where other organizations, such as GATT, had proved ineffective. In that connexion, he endorsed

the very judicious comments on GATT made by the representative of Ceylon at the 883rd meeting.

56. If the United Nations Conference on Trade and Development did not decide to establish an international trade organization which, though autonomous, would work closely with the other specialized agencies, it would be failing in its task. Only through such institutional machinery would it become possible to take effective action to arrest unfavourable trends in the terms of trade, to prevent excessive fluctuations in primary commodity prices and to remedy the unfavourable situation of the developing countries in the world markets.

57. With reference to disarmament, he associated himself with the judicious remarks made by the Nigerian representative at the 892nd meeting. The military appropriations of all the countries of the world amounted to \$120,000 million a year. The developing countries alone devoted approximately \$7,000 million to defence. The economic and social consequences of general and complete disarmament would be incalculable, and world trade patterns would be revolutionized. There was every reason to believe that, in the event of disarmament, the total value of world trade which, in 1962, had amounted to \$280,000 million, would easily reach \$600,000 million to \$700,000 million in the years ahead. Trade in capital goods and consumer goods would grow to an unbelievable extent.

58. That was why it was important for the United Nations to prepare forthwith an economic programme for the conversion to peaceful needs of the resources released by disarmament, taking into account the relevant declaration adopted by the General Assembly at its seventeenth session (resolution 1837 (XVII)). The various organs concerned should already be drawing up plans for the eventual use of those resources and be exploring the vast possibilities which, for ex-

ample, would be opened up for the generation of power, the exploitation of natural resources, the conversion and relocation of industries, the speeding up of agricultural and industrial development, transport, the training of skilled manpower, cultural progress and improvements in the living conditions of all peoples.

59. His delegation was glad to note the earnestness with which the problem was being approached by the members of the Committee. On the other hand, the Secretariat did not appear to have thus far given due attention to the problem. The necessary studies should be entrusted to a new department under the direct control of the Secretary-General, or to a group of specialists and technicians. Nevertheless several preliminary steps had already been taken. It was encouraging that the Economic and Social Council had decided to undertake a study of that problem and had devoted to it the first chapter of its annual report to the General Assembly (A/5503). The Under-Secretary for Economic and Social Affairs had rightly stressed the importance of undertaking forthwith a study of the immense possibilities inherent in disarmament. His delegation was gratified that that question, which it had raised many years earlier, was at last being given the serious consideration it deserved.

60. Instead of becoming simpler, the pattern of international economic relations would certainly grow in complexity. Such a trend would lead both to new difficulties and to new possibilities for surmounting obstacles. The efforts being made to accelerate economic development were, in the main, designed to raise the level of living of the more than 3,000 million human beings who were impatiently awaiting their outcome. It was also necessary, however, to think of the generations to come.

The meeting rose at 7.10 p.m.