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**GENERAL
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**SECOND COMMITTEE, 1461st
MEETING**

Tuesday, 10 October 1972,
at 3 p.m.

NEW YORK

Chairman: Mr. Bruce RANKIN (Canada).

GENERAL DEBATE (continued)

1. Mr. KARUNATILLEKE (Sri Lanka) said he was concerned to see the Western market-economy countries strengthen their economic co-operation since he feared that that might tend to widen still further the existing gap between the developed and the less developed countries. He felt it was essential that the Second Committee should re-examine all aspects of the question of the growing disparity in the levels of living of those two groups and that it should propose a course of action that would enable the developing countries to step up the rate of their economic growth in order to meet the new challenge presented by the group of more affluent nations; thus, for example, the price of raw materials might be stabilized and a generalized system of trade preferences made operative.

2. It was also the task of the Second Committee to review the results of the third session of UNCTAD which had disappointed the hopes placed in it by the majority of the developing countries, which had thought that it would help to solve the problems posed for the developing countries by the decline in the prices of primary products, the application of discriminatory and excessive tariffs, etc. It appeared, moreover, from the documents published after the third session that the developed countries had never taken the UNCTAD seriously and that their only aim had been to enable the less developed countries to air their grievances. Yet everyone knew that global economic progress could never be identified with the advancement of the developed nations alone, since they were a very small minority in terms of population, area and raw material resources. The developing countries therefore hoped that the developed countries would abandon their paternalistic attitude and take constructive action to help the less developed countries, for instance by agreeing to conclude a series of agreements guaranteeing the price of raw materials. Although it was true that IBRD and IMF had established that the prices of raw materials had risen slightly during the past two years, the over-all rise in the price index was due mainly to the increase in the price of petroleum products and a few primary commodities which were subject to price agreements. In Sri Lanka, for example, the price of raw materials had continued to decline in an alarming way; for instance, exports of tea, its principal source of revenue, had increased by 100 per cent in 20 years whereas export earnings had increased by less than 10 per cent over the same period.

3. The developing countries had been the victims not only of adverse export price trends but also of the inflation that had occurred in the developed countries which were anxious to ensure a constant rise in their level of living by granting periodic wage increases.

4. He went on to observe that the deterioration in the terms of trade and inflation had to some extent been offset by the flow of capital and foreign aid. In fact, however, the aid received by the producers of primary products barely offset the decline in export earnings. The developing countries could dispense with foreign aid if the developed countries took certain measures; if, for example, they guaranteed a minimum price for all primary products, at least for the duration of the Second United Nations Development Decade, or desisted from expanding their synthetic products industries.

5. It appeared that aid was being made available on progressively less advantageous terms, although the developing countries still needed it in view of the fact that their inadequate domestic resources did not allow them to achieve the growth rate of 6 per cent set for the Second Decade. In order to attain that objective, the flow of aid should be tripled, at least, and be made available on very soft terms. Thus, for example, the donor countries, both socialist and capitalist, should not always tie their aid to the purchase of goods from their own countries; the developing countries would welcome aid in the form of convertible currencies which they could use freely for development purposes. Similarly, capital equipment, materials and technological services should be provided at world market prices and interest rates should be maintained at a sufficiently low level so as not to impose any further burden on the recipient countries. A few countries such as Canada, the People's Republic of China and the United Kingdom had already given Sri Lanka interest-free loans on very generous repayment terms.

6. He next referred briefly to the United Nations Conference on the Human Environment, stressing that the prevention of pollution and environmental protection should not be made an excuse for slowing down the growth of the third world countries.

7. He thought that any reform of the international monetary system should be worked out with the participation of the developing countries; it was regrettable that in the Committee of Twenty, which had been set up by IMF the previous month, representatives from the less developed countries were in a minority. It was doubtful whether the deliberations of that Commit-

tee and the final proposals that would emerge would take account of the need to increase international liquidity in the third world and to use it to meet the development needs of the poor nations. Moreover, it was to be hoped that the Committee of Twenty would not only recommend the periodic and regular issuance of special drawing rights but would ensure the complete restructuring of the system of allocating special drawing rights so that the developing countries would be the principal beneficiaries, in view of the size of the cumulative deficits in their balances of payments.

8. Those were not, however, the only problems of the third world countries and the relationship between economic growth and income distribution was also an important question to which Sri Lanka had given due recognition well before the First United Nations Development Decade. To that end, Sri Lanka was endeavouring to ensure a fairer redistribution of income by taxing high incomes and implementing an extensive programme of social services, mainly for the benefit of the population in the lower income brackets; to that end, too, Sri Lanka had more recently implemented a vast programme of land reform.

9. Before concluding, he expressed his concern over unemployment: the United Nations had taken some interest in the question, but it was important to find a strategy to solve the problem without delay. The ILO had already launched several programmes for that purpose and had sent missions to several developing countries to study the question.

10. Admittedly, all those problems could not be solved at the same time in a relatively short period, but if the Second Committee clearly pointed the way, the United Nations would be able to discharge its functions effectively, at least in respect of the developing countries.

11. Mr. LEKONGA (Zaire) questioned the validity of the doctrine of free trade which seemed to be opposed to the development needs of the under-industrialized countries. He thought, moreover, that before aspiring to economic development each nation should have an integrated national economy within the framework of which the growth of the gross national product would have some meaning.

12. In order to achieve an integrated national economy, it was essential that the under-industrialized countries should be able to control their economic and financial structures effectively. The Republic of Zaire had been engaged in that task since 24 November 1965 and it was now not far from achieving its objective. But the neo-mercantilism of the economic groupings of the developed countries had to be taken into account since a trend towards national self-sufficiency was emerging in EEC and other large blocs of developed countries; there was even a risk that the phenomenon might eventually appear in the Council for Mutual Economic Assistance (CMEA) following the technical and technological development of its members.

13. His delegation shared the views expressed by some delegations concerning the regional and subreg-

ional integration of the under-industrialized countries; it was therefore completely in favour of the project, advocated by ECA in its resolution 226 (X), for building the Trans-African Highway which would link Kenya and Nigeria, passing through Uganda, Zaire, the Central African Republic and Cameroon, and thereby promote trade between those countries.

14. He asked the developed countries, in particular those which formed monetary and economic zones with some of the under-industrialized countries, to give their political support to those countries in the achievement of their economic integration, on the understanding that it was for the under-industrialized countries to establish and define the priorities which would best meet their own interests and objectives. In his country's view, internal efforts were the most important and foreign aid should only be an essential supplement in the initial stage.

15. In conclusion, while recognizing that the under-industrialized countries bore primary responsibility for their development, he asked the developed countries to support their efforts towards national integration.

16. Mr. MYFTIU (Albania), after briefly describing the successes achieved by the developing countries in Asia, Africa and Latin America in their struggle for political and economic independence, spoke of the obstacles and difficulties which those countries faced. It was regrettable to note that the imperialist Powers, by means of "loans", "credits" and "economic aid", were endeavouring to maintain their spheres of influence in the less developed countries of those regions and did not hesitate, as the United States and the Soviet Union had already demonstrated, to discontinue that aid if it did not serve their economic interests and to organize political, economic and military blockades. In the view of his delegation, the independence and sovereignty of all nations should be fully respected and the more developed countries should be content to help the developing countries to improve their economies and enhance the well-being of their population. As an example he referred to the People's Republic of China, the only country to provide disinterested aid which was not subject to any political, economic or military conditions.

17. As a result of the regrettable monetary crisis in the capitalist world there had been a decline in prices of raw materials, which were the main source of the developing countries' export earnings and therefore of their national income.

18. The countries of Asia, Africa and Latin America, realizing that they were being exploited by the imperialist Powers, had at the third session of UNCTAD called for the elimination of discrimination in world trade. Albania supported that position. In that connexion, the closed economic blocs were obstructing the expansion of world trade and economic development through the protectionist tariffs and other discriminatory measures which they imposed. Similarly, the so-called international division of labour served simply to keep the less advanced countries in a state of economic

dependence and political servitude by making them continue to play the role of suppliers of raw materials. In order to remedy that situation, the developing countries should continue their efforts to achieve political and economic independence by nationalizing their mines, their petroleum resources, foreign companies and banks, by revoking economic and political concessions and by eliminating foreign military bases. His delegation strongly supported the measures taken by Algeria, Iraq, Chile, Peru and other Afro-Asian and Latin American countries to defend their inalienable rights and strengthen their national independence.

19. Through its own efforts and its resources, Albania was becoming a developed socialist country, well advanced on the path of progress. Between 1960 and 1970, its output in all sectors had more than doubled. The main target of Albania's fifth five-year plan, launched in 1971, was to expand the branches of industry producing the means of production, in order to provide a basis for technological progress and to promote the development of the other branches of the economy. To that end, a number of plants would be constructed, including a metallurgical plant, a large refinery for complex petroleum processing and a new 400,000 kW hydro-electric power station.

20. Mr. GETMANETS (Ukrainian Soviet Socialist Republic) said that a number of representatives who had spoken in the general debate seemed to agree in their evaluation of the world economic situation. His delegation concurred with those who had emphasized the instability of the capitalist countries' economies, characterized by inflation, price increases and unemployment, and the deplorable effects of that situation on the developing countries. It also agreed that any measures to be taken to resolve the international financial crisis should take the interests of the developing countries into account.

21. The task of building up the developing countries required the adoption at the international and national levels of specific measures to create the prerequisites for the attainment of the objectives of the Second Decade as well as the targets of national development plans. At the national level, measures should include social and economic reforms to eliminate the conditions created by colonialism and should concentrate on agrarian reform. The importance of agrarian reform was often underestimated, although the experience of a number of countries had shown that it was an essential prerequisite for the development of the national economy and for genuine economic independence. His delegation therefore shared the concern expressed by a number of representatives in the Economic and Social Council about the delays in adopting that vital measure.

22. The experience of the Ukrainian Soviet Socialist Republic demonstrated the importance of agrarian reform. Before the revolution the Ukraine had been a backward province whose inhabitants had been living in poverty and squalor despite the huge riches of their soil and subsoil. The explanation was that the Ukrainian peasants had been exploited for the benefit of foreign interests in Western Europe. The paradoxical

situation had then arisen in which the peasants had been obliged to emigrate and leave their fertile lands in order to avoid starvation. The socialist revolution had liberated the people from foreign capitalist exploitation and the land had been given to those who farmed it. The first socialist State, based on the principle of equality for all and on a feeling of brotherhood, had thus become a highly developed State. It had, however, encountered a number of problems which existed also in most developing countries, such as the lack of capital, technical know-how, skilled personnel, etc. It had had to overcome those problems alone, without any outside assistance. It had had to contend with foreign monopolies, which had stopped at nothing in order to retain their hold in the country, and it had succeeded, thanks to the determined efforts of the entire people, to their sense of discipline allied with strict austerity and to the judicious use of resources.

23. It was impossible to ignore the efforts of certain people who were trying to make the socialist countries the scapegoats for the difficulties encountered by the developing countries. Those attempts were surprising, to say the least, when one considered that the socialist countries had constantly given moral and material support to the developing countries. The USSR had been one of the first countries to establish ties, on a basis of equality, with the young newly-independent countries. It had helped them and was continuing to help them in their struggle to abolish colonialism and achieve full political and economic independence. A true internationalism was an integral part of the structure of the socialist State.

24. Many delegations had expressed concern about the state of economic relations between the capitalist countries and the developing countries. Despite numerous resolutions of the General Assembly, the capitalist countries were continuing to close their markets to the newly-independent countries, by establishing countless restrictions which were contrary to the principles of the United Nations Charter and to the generally accepted principles governing economic relations.

25. A number of representatives of the third world had referred to the activities of foreign monopolies in their territory. Those monopolies were doing everything possible to remain in the country which they were exploiting to the detriment of a defenceless people. The United Nations could not remain indifferent to that state of affairs. It should evolve specific measures which would help the developing countries to strengthen their sovereignty over their natural resources. For example, the United Nations should recognize the right of countries to effect nationalizations—the only course open to them in the face of capitalist exploitation. That right should be clearly proclaimed in a document based on the sovereign right of States to their natural resources.

26. Secondly, the United Nations should evolve a legal formulation of the right of States to control the activities of public or private foreign companies operating in their territory. Thirdly, as the USSR representative had suggested, (1453rd meeting), a declaration

should be adopted on the promotion of international co-operation, on a basis of equality, in matters relating to the economy, trade, science and technology. Such co-operation should be designed to develop employment in all States and to promote the exchange of scientific and technological information between all States. It should not be used to exert pressure in order to prevent States from instituting the reforms which they considered desirable, including reforms concerning the control of the activities of foreign enterprises. Co-operation of that kind would enhance feelings of security and trust throughout the world.

27. Mr. ISAKSEN (Denmark) said that, while it was true that actual progress in economic and social co-operation was far from meeting the immense needs of the developing countries, the present situation was not without promising signs for the future. Taking into account the monetary and trade crisis which had preceded the third session of UNCTAD, for example, the outcome of the session could be considered constructive. Agreement had been reached on the principle of participation by the developing countries in the reform of the international monetary system, in order to safeguard the interests of all the members of the IMF. The establishment of the Committee of Twenty of the Board of Governors was evidence of the willingness to apply that principle. His delegation also welcomed the preparations being made to ensure the participation of all the developing countries in the multilateral trade negotiations in GATT.

28. In addition, the third session of UNCTAD had demonstrated world solidarity with the least developed among the developing countries, by the unanimous adoption of a resolution on special measures to be taken in their favour (resolution 64 (III) of 19 May 1972). It was gratifying in that connexion to note that UNDP had already arranged to increase its aid to those countries. The Danish delegation supported the UNCTAD resolution calling for a review of the list of the least developed among the developing countries, but emphasized that excessive enlargement of that group of countries might make the "least developed" concept meaningless.

29. A number of industrialized countries, including Denmark, were already applying the generalized scheme of tariff preferences in favour of developing countries. In addition, Denmark was prepared to give those countries technical and financial assistance to help them to solve their administrative problems connected with the adoption of that scheme.

30. The United Nations Conference on the Human Environment had also produced satisfactory results; it was particularly encouraging to note that it had adopted a plan of action on the environment and a declaration of guiding principles for its execution. The Danish Government, which accepted the report of the Conference as a whole (A/CONF.48/14 and Corr.1), thought that the General Assembly should approve it without reopening the debate on the problems which had been solved only through delicate compromises.

31. Despite those positive elements, it was true that the past few years had witnessed a minor setback in international co-operation. His delegation's optimism was therefore based not so much on recent events as on the general trend, which could be gauged only over a longer period of time. Thus, the vague ideas of solidarity and co-operation which had marked the beginning of the First Decade had evolved into a comprehensive strategy during the Second Decade. Within the United Nations family of organizations a continuing dialogue was now under way between the developed and the developing countries and procedures were being established for reviewing and appraising progress in international co-operation.

32. He was also gratified at the fact that assistance to the developing countries was increasingly being channelled through the United Nations. One of the advantages of such multilateral aid was that it mitigated the problem of debt service for the developing countries.

33. Another positive element was the strengthening of the role of the Economic and Social Council. The decision taken at the twenty-sixth session to enlarge the Council (General Assembly resolution 2847 (XXVI) of 20 December 1971) had been an important step in that direction. The interim period posed a number of problems, and his delegation was therefore pleased to learn that one of the permanent members of the Security Council had now joined those who had supported the Charter amendment required in order to enlarge the Council. His own Government would soon call upon the Danish Parliament to ratify the amendment.

34. Another important element in strengthening the role of the Council was the creation of two new multidisciplinary committees. Although his delegation had fully supported the establishment of those bodies, it nevertheless felt that there was an increasing need to streamline the structure and the institutional arrangements of the Council's subsidiary organs in view of the manner in which they had proliferated. In that connexion, his delegation had supported the idea of establishing a working group which was to meet in January 1973 to review *inter alia*, the terms of reference of all the Council's subsidiary organs (see Economic and Social Council resolution 1730 (LIII) of 28 July 1972). The working group would have before it an informal working paper submitted by Japan, Kenya, the Netherlands, Pakistan and Denmark at the fifty-third session of the Council, which dealt with the establishment of an advisory committee on programme and co-ordination matters. He wished to emphasize again that the paper did not propose the creation of an additional organ but was intended to enhance the Council's capacity to discharge effectively its functions in the field of programme formulation and co-ordination.

35. Among the issues before the Council at its fifty-third session had been that of the impact of multinational corporations on the development process. In view of the important role which those corporations had come to play, his delegation had supported the idea of studying the matter, and it felt that the reor-

ganized Council would be the proper body to follow up that proposal.

36. His delegation attached the greatest importance to agrarian reform, which it regarded as a precondition for the achievement of the goals of the Second Development Decade. Although the success of agrarian reform policies depended basically on the Governments of the countries concerned, external aid was often needed. Bilateral and multilateral assistance should therefore be increased, and the United Nations should make an effort to train personnel from the developing countries in the planning and execution of agrarian reform programmes.

37. In view of the gravity of the protein problem and the inadequacy of existing procedures for multilateral assistance, his delegation had been prepared to agree to the establishment of a protein fund under UNDP for a limited period in spite of its reluctance to see new funds set up. The Council had now decided to postpone further consideration of the matter. It was to be hoped, however, that the appropriate United Nations organs would expand their programmes and assistance activities in that field and that the developing countries would take full advantage of the possibilities afforded them by UNDP.

38. With regard to population problems, it was unfortunate that the preparatory work for the World Population Conference had already been delayed, and it was to be hoped that the Council would be able to correct that situation at its resumed fifty-third session, particularly by approving the recommendation of the Population Commission that it should meet every six months until the Conference was held. His country, which supported the United Nations Fund for Population Activities, hoped that the Fund would be able to expand its activities steadily.

39. A further reason for being fairly optimistic about the future was the increasing awareness in the Economic and Social Council of the interdependence of the economic and social aspects of development.

40. On 2 October 1972, the Danish people had, in a referendum, voted in favour of Denmark's entry into EEC. By improving economic and political conditions in Europe, co-operation in the enlarged European Community would be beneficial to the international community as a whole, promoting greater stability in the monetary field, an expansion of world trade and an increase in aid to the developing countries.

Mr. Gobba (Egypt), Vice-Chairman, took the Chair.

41. Mr. MORENO (Cuba) observed that most of those who has spoken so far had emphasized their concern at the uncertain future of international economic relations, particularly the critical economic position of the developing countries. The many advantages which those countries had been promised were more apparent than real, and although the over-all growth rate in Latin America had kept pace with that of the industrialized countries, that was not true of

the *per capita* rate, which had risen by only 2.5 per cent between 1960 and 1970 in comparison with an increase of 4 per cent in the case of the industrialized countries. The statistics cited by Mr. McNamara, President of the World Bank, in his address to the Board of Governors on 25 September 1972, clearly demonstrated the gravity of the situation. The problems of infant mortality, malnutrition, illiteracy and poverty had only grown worse in spite of the relative success of the policies aimed at increasing gross national product by 5 per cent during the First United Nations Development Decade. It must be borne in mind that development and economic growth were not the same thing. In order to achieve true development it was necessary to create conditions which made possible a process of sustained independent growth. It was a well-known fact that the most striking characteristic of the under-developed countries was a distortion of the economy and a fundamental condition of imbalance. That situation had not always existed; it had been created by the intervention of foreign forces which had hindered and held up those countries' historical, political, economic, social and cultural development. There had been much talk about the dual nature of the economies of the under-developed countries, which were said to be divided into two distinct sectors, one primitive and the other modern. It was precisely the so-called modern sector which had given rise to the distortions that had been observed. In order to achieve development, the countries in question must therefore begin by exploding that myth which had been created by the colonialist and neo-colonialist States. On the pretext of promoting industrialization, those States were investing capital for the sole purpose of quickly reaping maximum profits, without making any effort to improve social conditions or to assist in reforming basic institutions. Their activities had as a direct consequence the inequitable distribution of income, the concentration of capital in the hands of a privileged few, the unemployment and the structural underemployment characteristic of the countries of the third world, which were said to be showing a rapid increase in their rate of growth.

42. The worsening condition of domestic social imbalance which was noticeable in all the Latin American countries, including the one which supposedly had the highest income, was one of the common features of the economies of the under-developed countries. Moreover, that imbalance seemed to be coupled with other extremely important characteristics: an increasing dependence on foreign countries and a worsening structural imbalance. Those problems were largely caused by private foreign investment and by the activities of the large multinational companies whose policy, as ECLA had noted, was to acquire Latin American companies. What was occurring was thus a process of denationalization accompanied by loss of control of the means of production, a disequilibrium in the under-developed countries' balance of payments and an outflow of foreign exchange. Those who favoured private foreign investments by multinational companies might reply that it must be remembered that the foreign capitalists reinvested their profits in the countries in which they operated, thus promoting

exports and reducing the volume of imports. However, they seemed to forget that the reinvested profits would ultimately cause an outflow of foreign exchange in the form of additional profits and of sums representing amortization of the invested capital. Moreover, promotion of exports almost always benefited the foreign company rather than the host country. It was also a well-known fact that it was the policy of the multinational companies to encourage local investment in order to increase exports of primary commodities, which were then sold at low prices to the parent companies established in the capitalist countries for processing into finished products. The foreign companies could thus calmly exploit the manpower and natural resources of the developing countries and take full advantage of the unequal terms of trade.

43. There was no question that, in addition to the domestic savings which were essential in launching any development process, some recourse to external financing was also necessary. However, careful attention should be paid to the means employed by foreign interests in attaining their objectives once they received permission to operate in a country. Particularly close study might be given to the activities of the multinational companies, which were the latest instrument devised by imperialist corporations for exploiting the countries of the third world. Those companies applied three basic criteria in deciding on their investments: a maximum rate of return, economic security and the existence of a multinational policy which determined the amount of the investment and the sector in which it was to be made. Those criteria rarely corresponded to the development goals of the third-world countries, but the latter were often unable to obtain investments unless they provided political guarantees and economic inducements which jeopardized their development programmes as well as their national sovereignty and independence.

44. Furthermore, those multinational companies were expanding at an extremely rapid rate. To them, Latin America seemed a particularly easy prey. An increasing number of North American monopolies were gaining a foothold there and during the first eight years of the past decade they had sent home more than \$6,500 million, representing over 80 per cent of North American investments in that region up to 1960.

45. The new ultra-modern version of the traditional type of large consortium was continually improving its methods of penetration and was no longer confining its attention to the manufacturing sectors but was seeking to engulf the entire economic life of the developing countries. The monopolies had vast funds at their disposal and, under present-day conditions in which anachronistic structures still existed in most developing countries, the latter were powerless to establish a sufficiently firm national policy to enable them to resist the influence of foreign companies and compel them to take account of the historical necessities of the countries in which they were installed. Even more dangerous than the freedom of action they had acquired was the influence they exerted on the Governments of the under-developed countries, which enabled them

to control the economic and political life of the people. In that connexion he recalled the experience of Chile and the countries belonging to the Andean Group.

46. In addition to all those forms of exploitation practised by imperialism, colonialism and neo-colonialism, there was yet another: namely, international trade. Despite the appeals made at the three sessions of UNCTAD by the developing countries, which had received the support of the socialist countries on the issue, nothing had been done to assist them. In fact, the capitalist countries, and particularly the United States of America, had been pursuing a trade policy which had had the effect of reducing the purchasing power of the developing countries. That had served to aggravate the problem of the foreign debt: whereas it had amounted to \$10,000 million in 1955 and \$40,000 million in 1970, it had now risen to \$60,000 million, which had to be serviced at a rate of over \$5,000 million a year. Latin America was in a special position with regard to its foreign trade. While exports from Latin American countries to the United States had fallen from 45.9 per cent in 1950 to 30.2 per cent in 1969, those countries were still very dependent on North American imports which, in 1969, had amounted to approximately \$5,000 million. It was therefore hardly surprising that the disequilibrium in their trade balance had gradually worsened, progressing from \$200 million in 1965 to \$860 million in 1969. Those phenomena were not peculiar to Latin America and could also be noted in other developing regions, and the situation showed no signs of improving.

47. The industrialized countries, and particularly the Western industrialized countries, had radically changed their trade structure during the past decade and had become large-scale commodity exporters. That change had been accompanied by a strengthening of their protectionist policies and by an increase in their agricultural production through the use of advanced techniques. In practice, that new protectionist attitude, the effects of which had been further accentuated by difficulties in applying international commodity agreements and by the international monetary crisis, had made the situation of the developing countries even more critical. According to the projections made by FAO, that trend would increase in the years to come: the domestic savings deficit in relation to necessary investments would be somewhere between \$17,000 and \$34,000 million by 1980, while the deficit in the foreign exchange needed to meet investment and foreign trade needs would amount to between \$27,000 and \$32,000 million by the end of the decade, and there would be an increase in the foreign debt and its servicing, of which the average annual rate of increase was double the rate of increase in the revenue received by developing countries from exports. The deficit in domestic savings would have to be offset by outside financing—in other words, by foreign investments and by loans granted at exorbitant rates by capitalist banks. It was therefore hard to see how an end could be put to the vicious circle of deficit-investment/loan-denationalization-deficit, particularly in view of the harmful structural changes that were taking place. The prospects were no better when it

came to employment: assuming that the active population increased at a rate of 3 per cent, and that employment opportunities continued to grow at the rate of 2.6 per cent a year, the total number of unemployed would have doubled by 1980 and would include more than 14 per cent of the active population.

48. If all those problems were to be solved, there must be a radical change in economic and social structures, through a reorganization in the use of the means of production, through land reform, control over the activities of foreign and national monopolies, methods to ensure a more equitable distribution of income and measures to combat hunger, poverty, ignorance and disease. Obviously, in order to bring about those changes, Governments must be able to count on the support and participation of the population. In that context, mention must also be made of so-called financial aid for development. On numerous occasions Cuba had stated the criteria that must be met by international financing and loan agencies. The Revolutionary Government of Cuba considered that the only permissible form of international financing was financing by agencies which represented the complete antithesis of commercial banks and were capable of granting long-term loans at minimal interest rates. As for the assistance provided by the United Nations system, he emphasized the importance of bilateral and regional co-operation, which should be established and maintained on the basis of strictly defined criteria. In that field, existing economic and trade organizations, at the regional and subregional level, could make a useful contribution by helping to eliminate discriminatory measures. He was sure that Cuba's membership in the Council for Mutual Economic Assistance (CMEA) would be of great benefit to his country.

49. The attitude of the socialist countries towards those that were struggling to emerge from their under-developed state was well known, and there were countless practical examples of the efforts they had made to that end in the fields of trade and financing. Moreover, they had never had a hand in carving up colonial territories or in exploiting the countries of the third world. He strongly objected to allegations that there was a parallel between the advanced capitalist countries and the socialist countries. Their respective historical developments had taken place along completely different lines. The socialist countries, while having the moral duty to help the less advantaged countries, bore no responsibility, historically—as was the case with the former colonial Powers and the neo-colonialists—to compensate the less developed peoples for the wealth they had taken from them. On the contrary, it was the capitalist countries, which had grown rich at the expense of the third world countries, that had the duty to return the wealth they had extracted from them and, accordingly, the financing that was so badly needed would amount to no more than a just retribution to which the developing countries were historically entitled. Fortunately, not all the advanced capitalist countries were responsible for that state of affairs. The Scandinavian countries and Canada had taken no part in colonial exploitation and had, in fact, established programmes for co-operation with the under-developed countries.

50. Another source of difficulty for the developing countries was the international monetary crisis. The crisis could only be solved by radically reforming the international monetary system with the active participation of all the under-developed countries and the socialist countries. Otherwise, the countries of the third world would continue to suffer the effects of a crisis which was not of their making and which neither IMF nor the Committee of Twenty could remedy. The basic cause of the crisis had been the war of aggression unleashed by North American imperialism against the countries of Indo-China. He wished to take the opportunity to assure those countries of his Government's support in the struggle they were waging against an enemy bent on destroying them. He also wished once again to condemn the non-application of the principle of universality in the United Nations. Three countries were conspicuous by their absence: the German Democratic Republic, the Democratic Republic of Viet-Nam and the Democratic People's Republic of Korea.

51. He wished to conclude by quoting a significant passage from the preamble to the programme of action adopted by the Ministers for Foreign Affairs of the Non-Aligned Countries at their Conference held at Georgetown from 8-12 August 1972, at which they had condemned imperialism as the main obstacle to the efforts that were being made by the developing countries to attain levels of living compatible with human dignity, to safeguard their economic and political independence and to preserve their national sovereignty.

Mr. Rankin (Canada) resumed the Chair.

52. Mr. PANDEY (Nepal) felt that the root cause of the disillusionment of the 1960s could be attributed to the lack of a concerted political will on the part of the international community. In view of the projections made by the President of the World Bank in his address to the Board of Governors on 25 September 1972, concerning *per capita* income at the turn of the century, there was also cause for concern about the Second Development Decade. It was in that context that his delegation supported the view expressed by some speakers that the General Assembly should prepare concrete programmes of action with a view to ameliorating the difficult problems facing the developing countries.

53. The world monetary crisis had undoubtedly had a negative impact on the growth process of the developing countries and it was essential that the requirements of those countries should be taken into account in the reshaping of the world monetary system. With regard to special drawing rights, his delegation believed that a link should be sought between development finance and increased allocations to the developing countries.

54. While the results of the third session of UNCTAD had been generally disappointing, there seemed to be signs of the emergence of a desire to benefit the least developed among the developing countries. In that connexion, it would be a good move for the developing countries to adopt preferential policies towards the least developed countries, similar to those that they

themselves hoped the developed countries would adopt towards them.

55. The plight of the land-locked developing countries had already been the subject of many debates and he hoped that a concrete programme of action would be adopted at the present session of the General Assembly. The Convention on Transit Trade of Land-Locked States of 8 July 1965,¹ which had been acclaimed as a very positive instrument in that field, had still not been ratified by many countries, including some of those which had participated in the Conference at which the Convention had been drafted. He hoped that all those which had not yet acceded to the Convention would do so as soon as possible.

56. His Government had recently established a National Development Council and had reorganized the Planning Commission as a first measure towards improving planning and accelerating the pace of economic development. It was also endeavouring to ensure balanced development and the integration of the various regions of the country, and stressing the importance of administrative reforms and a new educational system. Although Nepal had always relied on self-help and had mobilized its own resources and public opinion, with no little success, it would nevertheless continue to need external assistance. In that connexion he stressed the importance of multilateral assistance, which was necessarily co-ordinated with the plan priorities of the recipient country. It was to be hoped, therefore, that multilateral assistance would continue to increase.

57. Mr. HAMID (Sudan) pointed out that the United Nations should develop and promote a philosophy of international action based on a concept of collective economic security. The Declaration on the Strengthening of International Security (General Assembly resolution 2734 (XXV), of 16 December 1970) advocated the setting up of a system of collective economic security designed to promote the development of national economies and, hand-in-hand with that system, efforts to bring about general and complete disarmament and the strengthening of a political system of collective security. Peace and security could not be divided into political, economic, social or cultural components. Development was a precondition for stability and expansion and a fundamental prerequisite for international peace and security. The notion of collective economic security could already be observed in an emerging sense of participation in the solution of the economic and social problems of under-development and an awareness of the dimensions of the notion of economic solidarity. That awareness of the responsibility of the international community, which was behind the International Development Strategy, had recently been emphasized at the Conference of Ministers for Foreign Affairs of the Non-Aligned Countries at Georgetown.

58. The present international economic order had proved incapable of accommodating the needs of the developing nations. Many countries agreed that the international economic system needed to be recon-

structed on the basis of more equitable principles and generally accepted norms. The Universal Declaration of Human Rights advocated the establishment of a just international order in which peoples might freely dispose of their wealth and natural resources. Despite their untiring efforts and despite international co-operation, the developing countries had fallen victims to an unbalanced world economic situation.

59. The economic situation of the developing countries had been seriously affected by inflation in the major developed market-economy countries and by disturbances in the international monetary system. The reduced rate of growth in the developed market-economy countries in 1971 posed a serious threat to the growth of exports from the developing countries, as did the protectionist tendencies that were appearing in the major trading countries.

60. The outlook for official development assistance remained uncertain. The total net flow had virtually stagnated for the past four years while its purchasing power had continued to erode as a result of inflation in the developed countries. The targets for development assistance expressed in the International Development Strategy were far from being achieved. Moreover, the external debt situation of the developing countries was growing more difficult.

61. In such a situation, the need for a reform of the international monetary system was indisputable. The crisis of the previous year had revealed the existence of fundamental weaknesses in the system resulting from radical structural changes in the pattern of world production, investment and trade. The recent establishment by IMF of the Committee of Twenty to study proposals in that respect offered an opportunity for suitable modifications in the international monetary system. The monetary system established at Bretton Woods had been designed to meet the requirements of the developed countries alone. Any reform of the system should include the establishment of rules and criteria applicable to the developing countries which would permit balanced growth of the international economy. In that connexion, it was crucial to rebuild the basis for a steady expansion of world trade. A choice must be made not simply between restrictive commercial practices and a greater liberalization of trade relations but between more or less self-contained trade blocs and a truly interdependent world.

62. The Second Decade had provided an opportunity to rethink the concept of development. The International Development Strategy which had been adopted (General Assembly resolution 2626 (XXV)) advocated the economic liberation of the developing countries, an expansion of the commitments of both the developed and the developing countries as a basis for increased co-operation through the United Nations system, and the revision of the structures of international economic relationships. It was the responsibility of each country to respect its own commitments and obligations under that Strategy. The United Nations, however, had an important role to play in helping the disadvantaged and the neglected among the developing countries. That could be achieved only through a sense of collective

¹ United Nations, *Treaty Series*, vol. 597 (1967), No. 8641.

responsibility and an awareness that collective economic security was an integral component of the process of strengthening world peace and security.

63. Co-operation for development stemmed from two main components: trade and aid. If trade was to be recognized as a dynamic factor of development, it was essential not only to reduce tariff barriers but also to ensure regional economic co-operation, regional integration and international co-operation in production and marketing. The developed nations must also change their pattern of production and investment and encourage acceptance of a new international division of labour based on respect for the laws of comparative cost and comparative advantage. The forthcoming trade negotiations within the framework of GATT would serve to complete the task undertaken at the third session of UNCTAD.

64. For a number of developing countries, the problems of trade did not impose the same urgency as the need for external financing and technical assistance. Nevertheless, external assistance and trade were indispensable to the progress of all the developing countries. The goals of the International Development Strategy were designed to meet the minimum needs of the developing countries. Many developed countries, however, had not met the target of 1 per cent of the gross national product set for aid to the developing countries. Only a small number of countries had undertaken to provide 0.7 per cent of the gross national product in the form of net disbursements of official development assistance by 1975. The developing countries sincerely hoped that the developed countries would confirm their intention to assist them by meeting the targets set in the Strategy. Despite an increase in the net volume of assistance in recent years, there was no doubt that the amount of the resources made available to the developing countries by the advanced countries and international financial institutions fell short of the requirements of the developing countries.

65. Whatever progress was made with regard to the quality and quantity of foreign aid, developing countries would have to make a massive and sustained effort in order to raise their own rate of savings and thus themselves be able to finance an increasing proportion of the high rate of investment required for growth. Vigorous efforts should be made to expand private and public savings. Those efforts should, however, supplement rather than replace international co-operation in development financing; especially active co-operation was needed in the case of the least advanced among the developing countries.

66. The developing countries had so far had very limited access to international capital markets. The World Bank and the regional development banks had rendered valuable service by acting as intermediaries between the developing countries and the capital markets. Despite the efforts which had been made, an aid crisis had developed on the international scene. Domestic budgetary restraints, balance of payments difficulties and inflation had distracted the attention of donor countries from the problems of international development. Bilateral and multilateral aid programmes were proving more and more inefficient.

67. The donor countries should mobilize sufficient political will to overcome the stagnation in foreign aid. Direct foreign investment must be encouraged by all possible means; the argument that the economic and political instability of the developing countries discouraged private foreign investment could no longer be accepted. His own country's policy was to encourage foreign investors. New legislative measures, applicable to the main sectors of the economy, provided for the uniform treatment of Sudanese and foreign investors and ensured a favourable atmosphere for business activities and an equitable return on invested capital. The Sudan belonged to the category of the least advanced among the developing countries. As the Secretary-General had stressed at the fifty-third session of the Economic and Social Council (1819th meeting), those countries should be the object of special programmes under the most concessionary of terms.

68. Discouraging economic and social conditions were not the only causes of uncertainty in international economic life. Other causes were the political realities of the armaments race, colonialism, racial discrimination, *apartheid*, and the occupation of the territories of certain States by other States. In that respect he could not avoid reference to the continued occupation of Arab lands in the Middle East by Israeli forces. That situation had adverse effects on the development efforts of the countries of the region and it also had world-wide consequences, for the closing of the Suez Canal obstructed the normal flow of international trade. His delegation associated itself with other delegations which had already condemned Israel's expansionist policies and practices.

69. The CHAIRMAN pointed out, with reference to two delegations in particular, that statements should relate only to agenda items assigned to the Second Committee and should not touch on political questions which were better dealt with in other bodies.

The meeting rose at 6.10 p.m.