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Chairman: Mr. Bohdan LEWANDOWSKI
(Poland).

AGENDA ITEMS 12, 34, 35, 36, 37, 39 AND 84

Report of the Economic and Social Council (chapters I to III, V and VI) (A/5203) (continued)

United Nations Development Decade: report of the Secretary-General (A/5194, E/3613, E/3613/Add.1, E/3613/Add.2-3, E/3658, E/3664, E/3674) (continued)

Economic development of under-developed countries (A/5220) (continued):

(a) Accelerated flow of capital and technical assistance to the developing countries: report of the Secretary-General (A/5195);

- (b) Establishment of a United Nations capital development fund: report of the Committee established under General Assembly resolution 1521 (XV) (E/3654);
- (c) Industrial development and activities of the organs of the United Nations in the field of industrialization (E/3600/Rev.1, E/3656, E/3656/Add.1);
- (d) Long-term projections of world economic trends: progress report prepared by the Secretary-General (E/3628, E/3629, E/3661, E/3668);
- (e) Land reform: report of the Secretary-General (E/3603);
- (f) Decentralization of the economic and social activities of the United Nations and strengthening of the regional economic commissions (A/5196, E/3643)

Question of holding an international conference on trade problems (A/5221, A/C.2/214, A/C.2/L.645, A/C.2/L.648 and Add.1, E/3631 and Add.1-4) (continued)

International measures to assist in offsetting fluctuations in commodity prices (A/5221, E/3447, E/3644, E/CN.13/43, E/CN.13/45) (continued)

Permanent sovereignty over natural resources (A/4905, A/5060, A/5225, A/AC.97/5/Rev.2, E/3511, E/L.914, E/L.915, E/L.918, E/L.919, E/SR.1177-1179, E/SR.1181) (continued)

The Cairo Declaration of Developing Countries (A/5162) (continued)

GENERAL DEBATE (continued)

1. Mr. PAREMSKY (Byelorussian Soviet Socialist Republic) said that among the important problems before the Committee, the Cairo Declaration of Developing Countries (A/5162), industrialization, the elimination of the consequences of colonialism and the convening of an international conference on trade problems deserved special attention.

2. As shown by the World Economic Survey, 1961 (E/3624/Rev.1) and confirmed by the Under-Secretary for Economic and Social Affairs in his statement before the Committee (795th meeting), the growth rate of the Western industrial countries had declined or had remained at a rather low level. The demand for primary commodities had continued to decrease and prevailing economic conditions in the under-developed countries were hardly encouraging.

3. In the socialist countries, on the other hand, industrial development in 1961 had confirmed the superiority of the planned-economy system. Industrial production in the socialist countries had been more than seven times greater than before the war, as compared with an increase of only two and one half times in the capitalist countries. It was interesting to note the successes achieved in the Byelorussian SSR, which in a very short time had passed through all the

stages which separated the under-developed countries from the industrialized countries. All the towns in Byelorussia, as well as the factories and farms, had been destroyed during the war. Two million of Byelorussia's 10 million inhabitants had perished and it had lost more than half of its national wealth. Today, it was a modern industrial State, which also possessed a vast network of scientific and research institutions, higher educational institutes and 102 secondary schools. Before the revolution, there had been no school of higher education and no scientific institution. Between 1945 and 1961, an annual rate of industrial development of 23 per cent had been attained. Heavy industry, machinery, power and chemical products had been successfully developed, and there was every reason to hope that the seven-year plan would be completed two years before schedule. That augured well for the accomplishment of the twenty-year plan, under which output in the Byelorussian SSR was expected to expand 9.3 times in relation to 1960. The Byelorussian SSR had always encouraged international economic co-operation. Its machine tools, lorries and agricultural machinery were well known in foreign markets. It exported to about sixty countries of the world, including Afghanistan, Cuba, India and the United Arab Republic. Formerly an essentially agricultural country, the Byelorussian SSR was now able to produce trucks with a carrying capacity of more than forty tons.

4. The whole world acknowledged the desirability of improving international trade and developing mutually profitable relations among all countries. Mankind had entered a period of scientific and technical revolution characterized by progress in nuclear science, chemistry, the exploration of outer space and automation. Increased productivity was another success achieved by technology.

5. The economic backwardness of the countries of Asia, Africa and Latin America must end. As a result of the policy of the Western countries, however, the situation of those States, which were still at the mercy of foreign monopolies, continued to be unfavourable and the rate of development of their foreign trade had declined, which was one of the characteristics of international trade as a whole. The World Economic Survey, 1961 showed that the rise in the Western European countries' imports had slowed down and that there had been a drop in North America's imports. It also showed that the expansion rate of the trade of the developing countries exporting primary commodities had slowed down in 1961.

6. There was another negative phenomenon which was harming the under-developed countries. The prices of primary commodities were falling and those of manufactured goods were rising. According to the Survey, the exports of the developing countries would have had to be 2 per cent higher than in 1960 in order to supply them with the foreign currency required to import the same amount of manufactured goods.

7. In 1961, according to the report of the Commission on International Commodity Trade (E/3644), the average prices of primary commodities in international trade had fallen for the fourth consecutive year, whereas those for manufactured goods had risen. During the last fifteen years, many countries in Africa and Asia had become independent, but there had been hardly any change in the share of those countries and those of Latin America in world industrial production during the last twenty-five years in relation to that of Western Europe and North America. Their share in

world trade had tended to decrease. That state of affairs explained the dependence of many under-developed countries on the capitalist countries, for which they constituted colonial markets. In addition, colonialism brought about an unjust division of labour which prevented those peoples from emerging from their poverty. The colonial system was collapsing, but its disastrous consequences still remained. That was why the liquidation of the economic consequences of colonialism should become the pivot of the United Nations Development Decade. The monopolies of the industrialized countries had taken over from colonialism. One example was the European Economic Community, which combined the strength of the monopolies with the authority of the State in order to mount an offensive against other countries, including the under-developed countries, in contempt of equal rights and mutual advantage. The fears inspired by that situation had been eloquently expressed in the Cairo Declaration. It was well known that the European countries were developing their economies at the expense of the weaker countries and were consolidating their position by means of monopolies which impeded genuine co-operation and the normal development of world trade.

8. At the 801st meeting, the representative of Italy had tried to create the impression that it was primarily the socialist countries which were opposed to the European Common Market. But the fears inspired by the Common Market had been expressed by many countries, not merely by those of the Commonwealth but also by the countries of Latin America, most countries of Africa, those of the Middle East, the uncommitted countries of Europe and even by certain important groups in the United Kingdom. The organizers of the Common Market, including the Belgian Minister for Foreign Affairs, had spoken of the objectives of that grouping. Their statements showed that those objectives were not simply economic but were a continuation of the policy of the North Atlantic Treaty Organization (NATO), of which the Common Market was the economic basis. Many countries were coming to realize that their association with EEC would again place them at the mercy of the former metropolitan countries and compromise their neutrality and independence. The Iraqi Minister for Foreign Affairs had told the General Assembly (1152nd plenary meeting) that the European Common Market had become the economic instrument of NATO, thereby intensifying the armaments race, and that it was an attempt to establish a collective imperialism to safeguard capitalist interests by perpetuating Western economic hegemony over the under-developed areas of the world. Other representatives, including those of Ghana and Tanganyika, had denounced the military and political activities of EEC in the Committee.

9. It had been suggested that the socialist countries were against the European Common Market because they were afraid of it. That was untrue. Mr. Khrushchev had spoken of the many efforts made, in the forty-five years of the USSR's existence, to prevent its development and had shown how the organizers of those attempts had always been thwarted. It would be the same with EEC if it ranged itself against the socialist countries. The position of the latter countries was based on their peaceful attitude towards States with economic and political systems different from their own, and on their readiness to co-operate with them. The formation of closed economic groupings led to exploitation of the weak by the strong. The socialist countries had always favoured the normal development

of international trade. To ban trade with those countries was scarcely to foster peaceful co-operation. The United States was engaged in a policy of strangling Cuba and putting pressure, in violation of the United Nations Charter and in contempt of international co-operation, on countries maintaining trade relations with Cuba.

10. The development of international trade was a condition for the steady growth of the under-developed countries. The international trade conference proposed by the USSR should take effective measures to close the economic gap between the under-developed and the industrial countries and to change the atmosphere of the world market. A permanent trade organization must be set up and all countries, without discrimination, must be part of it. Numerous trade questions had already been studied by various international bodies, but not by world-wide bodies. The absence of a permanent organization was retarding the solution of international trade problems. There were already agencies for labour, health, agriculture and education, but the efforts of the existing trade organizations were isolated; only a permanent international institution would make it possible to solve world trade problems, would be of permanent benefit to the under-developed countries and would increase the volume of international trade, thereby contributing to the growth of all countries and to the raising of living levels. The Byelorussian SSR therefore supported the draft resolution of the USSR to convene a conference in 1963 (A/C.2/L.645).

11. During the general debate, reference had been made to the financing of economic development and to the international flow of private capital. The Byelorussian delegation did not deny the importance of foreign private capital, which, under certain conditions, could usefully supplement other sources of financing. But the under-developed countries were interested in laying the foundations of their economies and national industries and were trying to obtain a fair share of their own resources.

12. At the thirteenth session of the General Assembly, the Byelorussian SSR had put forward a draft resolution proposing that the Secretary-General organize the study of conditions in which foreign private companies operated in under-developed countries with a view to helping those countries increase their profits.^{1/} The under-developed countries had rights over their national resources and some of them had already made efforts in that direction. The petroleum-exporting countries, for example, wished for better terms from the oil companies in order to obtain their due share of the revenues. Those countries' demands were fully justified. It had been said that the Secretariat would bear in mind the proposal made by Byelorussia at the thirteenth session. Four years had passed and nothing had come of it. It looked as though the Department of Economic and Social Affairs would rather have nothing to do with the matter, despite the paradoxical fact that it was precisely in that way that the United Nations could help the under-developed countries to secure the financial resources needed for their economic and industrial development. Instead, the Secretariat was confining itself to encouraging foreign capital investment in the under-developed countries and to seeking ways of protecting that capital against non-commercial risks. The third report of the Secre-

tary-General on the financing of economic development (E/3665/Rev.1) was no exception; it was a one-sided document, reflecting the interests of the capital-exporting countries. Important problems which could have been examined to the advantage of the under-developed countries were ignored by the authors. Those countries needed capital to establish their processing industries, but foreign capital was still being invested in other sectors, such as mining and oil. According to the August 1962 issue of the Survey of Current Business, United States direct investments in Latin America in 1961 had risen to \$8,166 million, of which \$1,105 million had gone to mining, \$3,247 million to the oil industry and \$1,655 million to processing industries. That publication openly admitted that in 1961 the flow of capital to that part of the world had increased for primary commodity production but diminished for the processing industries. Capital was going mainly to sectors yielding huge returns, and in some cases to key industries, with the result that the investing countries could exert political pressure. Under those conditions, industrial development and economic advance were being retarded.

13. The Byelorussian delegation thought it indispensable to set up an ad hoc panel of experts to study and report on that matter. The purpose of that step should be to bring the distribution of foreign monopoly profits into line with the interests of the under-developed countries. That objective should become, inter alia, an integral part of the United Nations Development Decade. General Assembly resolutions 1522 (XVI) and 1711 (XVI), in which the hope was expressed that the flow of international capital and technical assistance for development would be increased to 1 per cent of the combined national income of the economically advanced countries, posed the question in terms that ignored important historical considerations. The advanced socialist countries could not be grouped together with the advanced capitalist countries. The monopolies had made enormous profits and could only partially make good the economic and moral damage they had caused. The socialist countries had attained their level of economic development because their economic system was superior. They would continue to give disinterested aid on the basis of co-operation to the under-developed countries, which, against their own will, had helped the industrialized capitalist countries to develop.

14. Land reform was an imperative necessity in the countries where agriculture was a key sector. Community development depended to a considerable extent on land reform. The State must play an important part by providing assistance and credits for seed selection, animal husbandry and techniques for improving agricultural output. Taking into account the importance of agricultural co-operatives in the development of agriculture, the United Nations could help the under-developed countries in that connexion. It would be logical to convene a conference of Latin American, Asian and African agronomists, under the auspices of the Economic and Social Council, for an exchange of experience in the matter of land reform. In addition, the land must be freed from military bases and testing sites and the latifundia must be broken up. Such measures would enable the under-developed countries to consolidate their sovereignty over their natural resources. The Byelorussian delegation had always maintained that all countries had the right to own and develop their natural resources. The Economic and Social Council was dealing with import-

^{1/} Official Records of the General Assembly, Thirteenth Session, Annexes, agenda item 28, document A/4054 and Add.1, para. 35.

ant practical questions and must fulfil its functions as defined in the United Nations Charter. It could do so only if, instead of impeding the implementation of important and urgent resolutions, it became an effective body, as the prevailing world situation required.

15. In conclusion, he was convinced that the important economic problems could be solved if general and complete disarmament were achieved and if the resources absorbed by armaments were used for peaceful purposes. The Byelorussian delegation attached great importance to the economic programme of disarmament, the execution of which would contribute to the development of the world's productive forces, to human welfare and to international co-operation.

16. Mr. M'BAYE (Guinea) said that the problem of under-development was linked with that of domination. No final solution could be found without going to the root of the matter. The problem could be solved only by the abolition of colonialism in all its forms, and especially in its new form, neo-colonialism, the aim of which was, by using various subterfuges and assuming a guise of paternalism, to control the political life of young States by reducing them to economic dependence.

17. Upon attaining its independence, the Republic of Guinea had undergone a structural transformation and had organized its economy. The first three-year plan, which was a transitional measure, had already laid the groundwork for the new Guinea. In three years, the Republic of Guinea had invested \$180 million, which represented the capital invested under the colonial régime during the ten-year period 1948-1958. The projects of yesterday had become the reality of today, thanks to the courage of the Guinean people and the assistance of friendly countries. Thus, the aerodrome at Conakry, one of the most modern in Africa, had been operating for four months and work on the Polytechnic University was nearing completion. Similarly, great efforts were being made to build roads and harbours. In the agricultural sector, the three-year plan would enable Guinea to no longer import rice, which was its staple food, and to diversify such export crops as coffee, bananas and oil-seeds. The Guinean subsoil was among the richest in Africa, and the forthcoming construction of a chemical and mineralogical laboratory would pave the way for the prospecting and exploitation of its vast mineral reserves: manganese, bauxite, diamonds and precious metals.

18. The execution of all those programmes naturally entailed investments in the form of capital goods, capital and technical knowledge. That was where the problem of outside aid arose. Although that aid was essential for the growth of the developing countries, in order to be effective it must be regarded only as participation to supplement the national effort and it must harmonize with the economic orientation and political objectives of those countries.

19. He hoped that the recommendations contained in Economic and Social Council resolution 916 (XXXIV) would be applied and that it would be possible, during the United Nations Development Decade, to reduce the gap between the "have" and the "have-not" countries. However, the target of \$150 million set for the Expanded Programme of Technical Assistance and the Special Fund was too modest, particularly if it was compared with the vast funds allocated for armaments. The Guinean delegation would give its views on the economic consequences of disarmament in due course.

While congratulating the Economic and Social Council and the specialized agencies on their efforts to promote the economic and social well-being of the under-developed countries, he felt obliged to note that no practical measures had yet been taken to achieve the objectives of General Assembly resolution 1710 (XVI). Guinea hoped that the Decade would become a reality and thought it timely to recall in that connexion that in order to be effective, the programme should be carefully dovetailed with national and regional plans.

20. The Guinean delegation supported the proposal to accelerate the flow of capital from the highly industrialized countries to the under-developed countries and endorsed the General Assembly's appeal for the promotion of trade co-operation between the two categories of countries (resolution 1707 (XVI)). In that connexion, the Republic of Guinea had promulgated, on 7 April 1962, an investment code which allowed foreign capital to accumulate and to be exported under advantageous conditions. Although it was obvious that the acceleration of the flow of capital was one of the keys to the industrialization of the under-developed countries, it should be noted that industrialization could not be carried out within the narrow confines of those countries' economies; their current needs complemented each other to a certain extent, and advantage should be taken of that fact in, for example, the forming of an African common market. To that end, it was important to promote inter-African co-operation and to establish in time a programme co-ordinating the plans of various countries. In that connexion, the preparation of a Guinean plan represented a step towards African economic integration. One-seventh of all Guinean exports went to African countries. The establishment of an African common market would enable the member countries to form a united front for the defence of their interests and to protect their primary commodities and raw materials from speculation. They would then be in a better position to conclude co-operation agreements with other economic groupings.

21. With regard to the protection of their primary commodities, the African countries should consider, as Mr. Sékou Touré, President of Guinea, had suggested before the General Assembly (1148th plenary meeting), the establishment of a sliding scale for determining the minimum international prices and an equalization fund for eliminating any bottle-necks on the markets. For those reasons, Guinea had co-sponsored the draft resolution on the convening, in June 1963, of a United Nations Conference on Trade and Development (A/C.2/L.648 and Add.1). That conference should take decisions to ensure a better balance of trade to the under-developed countries, in order to make them better able to import the capital goods they needed for their economic development. It was also to be hoped that action would be taken to stabilize the prices of raw materials, compensate for short- and long-term price fluctuations, eliminate customs barriers and tariff discrimination and open the way to international agreements taking into account the interests of young nations. If the participating States could make that conference a centre of constructive and creative policy-making, they would be serving the cause of an international trade organization which would enable the under-developed countries gradually to dispense with outside aid and base themselves exclusively on international co-operation.

22. With regard to the decentralization of United Nations activities and the strengthening of the regional

economic commissions, his delegation would merely say that those commissions should be given greater financial powers and more initiative in certain fields. Where the Economic Commission for Africa was concerned, Guinea welcomed the establishment of the African Institute for Economic Development and Planning and the decision in principle to set up an African development bank. Lastly, he recalled that Guinea had been among the sponsoring countries of the Conference on the Problems of Economic Development and he expressed the hope that the Cairo Declaration of Developing Countries (A/5162), a historic document which had been favourably received throughout the world, would be regarded by the United Nations as the economic charter of the developing countries.

Mr. Allana (Pakistan), Vice-Chairman, took the Chair.

23. Mr. MARCOS (Philippines) welcomed the current trend in the United Nations to mobilize the entire resources of the Organization to solve the development problems of the emerging nations. That trend was most timely since, in view of the immense strides made in technology, it was intolerable that so little progress was being made to change a state of affairs in which two-thirds of mankind lived in penury, while one-fifth lived in abundance. It should be recognized, however, that although the task must be shared by all countries, the responsibility of the developing countries themselves must perforce be greater, for they must have the will to achieve economic progress and to undertake the political, social and cultural changes which would make it possible. The efforts of the Philippines had been to attain the following aims: social justice, permanent sovereignty over natural resources, integration of social with economic objectives in the formulation of national plans and policies, the reliance on the private sector in production and trade, maximum government assistance to the private sector, both in furnishing resources and in providing a favourable climate for investment, and a government organization aimed at providing the greatest good for the greatest number within the framework of democratic institutions.

24. In the light of those considerations, the Philippine delegation welcomed the unanimous intention of both the developed and the developing countries to contribute to the attainment of the objectives of the United Nations Development Decade and to use the United Nations' institutional resources to the best advantage. It considered that each country would increase its contribution to the common effort to the maximum if it determined its own precise objectives within the Decade, assessed its own resources and potentials, formulated its own plans for economic and social development and carried them out as effectively as possible. Concurrently, the United Nations and its related agencies must expand the services and resources that they would make available for the common task, particularly with regard to the training of experts in national planning, improvement of statistical organization, training of manpower in middle-level skills, mobilization of external supplementary resources and periodic comparative evaluation of the results achieved by various countries. The reorganization of international trade on a more equitable basis justified the convening of a United Nations Conference on Trade and Development as soon as the preparatory committee had prepared an agenda which would result in the taking of practical decisions. All possible solutions should be explored, such as compensatory financing, inter-

national commodity agreements and expansion of markets for both the primary and the industrial products of the developing countries. The Philippines hoped to be able to initiate negotiations which would lead to an international coco-nut products agreement along the lines of the recently concluded coffee agreement.

25. He turned next to some interesting aspects of Philippine development. As the Under-Secretary for Economic and Social Affairs had stated (795th meeting), international liquidity was of fundamental importance to the economic development of developing countries. It was necessary, therefore, to encourage free convertibility of currencies and the elimination of direct controls on gold, foreign exchange and imports. A prudent tariff and tax policy was the best means of avoiding depletion of foreign-exchange reserves, but care should be taken to see that even that policy did not unnecessarily hamper expansion of world trade. The Philippines had resorted to exchange and import controls for several years only, and the abolition of those controls, far from resulting, as had been feared, in the depletion of the foreign-exchange reserves, depreciation of the peso, unemployment and deterioration, had strengthened the country's economic situation and had even attracted foreign capital.

26. The external economic policy of the Philippines relied on international economic co-operation, as was demonstrated by the close relations established with Ceylon, the Federation of Malaya, Indonesia and Thailand. The Philippines was attempting to diversify its exports and find new outlets for them, including the member countries of the European Economic Community. It had been the policy of the Philippine Government to encourage foreign investment, and it had adopted the legislative and tax measures necessary to that end. The Philippines felt that foreign aid should not be considered a permanent crutch, but that bankable loans or other transactions might be both helpful and profitable. He noted that planning methods, regarded as a fundamental instrument in accelerating growth, had been adopted in the Philippines as early as 1935, but it was not until the restoration of political sovereignty that comprehensive plans of social and economic development had been formulated.

27. The economic plan had the following political, social and cultural features: a democratic, republican and fully representative political organization; an alert, peace-loving citizenry, which easily learned modern techniques; a substantially capitalistic economic organization, in which the private sector was the prime mover of activity, but which ensured social progress and preserved social justice; and an economic infra-structure which was perhaps one of the best-developed in Asia. The objectives of the plan were the immediate restoration of economic stability, alleviation of the plight of the common man and establishment of a dynamic basis for future growth. Those objectives would undoubtedly not be too difficult to reach because the rate of growth had averaged 5.4 per cent in the past decade and the structure of the economy had been readjusted in the desired direction during the same period. He mentioned many other social and economic objectives, such as expansion of domestic investment, of the banking system and of credit, judicious protection for new industries, expansion of housing, education and public health programmes, manpower training and assistance to farmers. Since 1950 the rate of growth had been suf-

ficient to keep production at an adequate pace, even considering the rapid population increase. Vast natural wealth was still unused, and with the application of technology the Philippines might never have to face the problem of too large a population for too small a land.

28. Some of the problems confronting the Philippines were typical of those faced by all developing countries: first, the need for foreign capital for development, preferably in the form of loans at reasonable interest rates or of equity capital in certain lines of production; in that respect, his delegation felt that a United Nations capital development fund should be established in the near future and that the resources of the International Bank for Reconstruction and Development and other sources of development financing should be increased; secondly, the need for pre-investment assistance, particularly in the geological survey of ground-water resources, in oceanography and in the training of manpower, so as to make possible the more rational utilization of marine, forest and mineral resources; and thirdly, the expansion and diversification of exports. In that connexion, it was to be hoped that the European Economic Community would refrain from deliberate discrimination against non-member countries; in view of the recent adoption by the United States of the Trade Expansion Act of 1962, the future could be contemplated confidently, even if there had to be a difficult transition period. That was an additional reason why there was so much to hope for from a conference on international trade and development. In that connexion, he felt that the Preparatory Committee set up under resolution 917 (XXXIV) of the Economic and Social Council should have no fewer than thirty members, so that it could be more representative of the substantially enlarged membership of the United Nations.

29. Lastly, it should be noted that the great majority of the countries which had become Members of the United Nations during the past two years were developing countries. Present United Nations resources were inadequate to the task of realizing the objectives of the United Nations Development Decade. Extraordinary efforts had therefore to be made to promote a rising flow of funds to the United Nations. If that work was continued in a spirit of genuine international co-operation, transcending the political crises of the moment, there would at least be the satisfaction of having laid the foundations for a lasting economic solution, the only solution to the problems which plagued the world.

30. Mr. AKYAMAC (Cyprus) said that two trends, one within the United Nations family and the other in the world economy generally, had been exercising a vital influence on the economies of the under-developed countries. The first trend, favourable to the under-developed countries, reflected the collective awareness of the Member States of the need to narrow the gap between the rich and poor countries in order to eradicate hunger and misery from the earth. In recent years, the machinery at the disposal of the United Nations had been strengthened, either by the extension of existing organs or by the establishment of new ones. All those efforts had been climaxed by the proclamation of the United Nations Development Decade, the success of which would be assured, however, only if all Member States made their contributions to it, the responsibility falling on the rich countries was inescapably greater than that incumbent on the poor countries. In particular, the resources of the Special Fund, the Expanded Programme of Technical Assist-

ance and other assistance programmes would have to be increased; as the results of the last Pledging Conference on the Expanded Programme and the Special Fund were not very encouraging, he associated himself with all the representatives who had already urged the richer countries to increase their contributions. The only negative aspect of the trend within the United Nations family was perhaps the failure of the attempts to establish a capital development fund, which was nevertheless needed, since most of the multilateral finance institutions in the field—with the possible exception of IDA—offered short- and medium-term loans with interest rates which represented a heavy burden for the developing countries. It was to be hoped that the developed countries would respond to the appeal made by the Economic and Social Council in its resolution 921 (XXXIV) and that the capital development fund would be established as soon as possible.

31. In contrast to the evolution in the international organizations, the trends which could be noted in the world economy were distinctly unfavourable to the developing countries. While the developed nations of the free world and the countries of eastern Europe with centrally planned economies had continued to show satisfactory rates of growth in their production and therefore in their national income, there had been no significant expansion in the production of the developing countries, mainly because the world demand for their products had not increased substantially. Their position had also not improved in terms of international trade, since the prices of raw materials, which were their main export products, had continued to decline while the prices of manufactured goods, stimulated by, *inter alia*, the additional demand of the under-developed countries, had continued their upward climb.

32. There was a growing realization among the under-developed countries that they could not progress without diversifying their economies and hence without industrializing. That was not an easy task, particularly for the countries which, having recently attained independence after years of colonial rule, lacked capital and, what was more serious, technical know-how. They would also have to market their new products, and that could be done only with the understanding and co-operation of the developed countries. The latter should follow the recommendations formulated by the General Assembly in its resolution 1707 (XVI) and adopt trade policies not necessarily requiring full reciprocity. Moreover, while the great majority of the industrialized countries had agreed in principle that the flow of capital assistance should represent 1 per cent of their gross national incomes, their practical assistance was far from reaching that level. For that reason, his delegation supported the recommendations made by the Economic and Social Council in its resolutions 922 (XXXIV) and 923 (XXXIV) to increase the flow of public and private capital to the developing countries.

33. Such assistance was essential to those countries, but they realized that they must bear the primary responsibility for financing their own economic development. Unfortunately, they could not do so unless they could rely on regular earnings from exports. Yet the very nature of the products exported made such earnings extremely vulnerable to short- and long-term fluctuations in international demand and prices. Countless international studies of the subject had indicated the general remedies to be applied, but unhappily there seemed to be a reluctance to use them. International

agreements on individual commodities had admittedly been beneficial, and his delegation welcomed the recent conclusion of the International Coffee Agreement. The only effective measure, however, would be to supplement those agreements by appropriate machinery for insurance and compensatory financing. The Second Committee would probably have to content itself once again with expressing the hope that the work of the Commission on International Commodity Trade would be brought to a successful conclusion and that the Council, at its thirty-sixth session, would make specific recommendations to be submitted, if necessary, to the forthcoming United Nations Conference on Trade and Development.

34. The under-developed countries must plan their development, and valuable assistance for that purpose was available to them from the United Nations and from various countries. The General Assembly had taken an important step at its sixteenth session by adopting resolution 1708 (XVI), which provided for the establishment of economic development and planning institutes with assistance from the Special Fund. In its original form, the draft resolution had recommended the establishment of such institutes in the regions served by ECLA, ECA and ECAFE. Cyprus—now a member of the Economic Commission for Europe, which was considered an advanced region—and the Arab countries, which did not belong to any economic commission, would thus have been deprived of the services of such institutes. The original draft had therefore been amended to enable the Arab countries of the Middle East to request the establishment of a special institute for their region, which would also be open to participation by other countries belonging to a regional commission but unable, for technical reasons, to avail themselves of the services of the projected institutes. The Government of Cyprus had a close interest in the matter, for it was suffering from an acute shortage of trained personnel as it entered the second year of operations under its five-year development plan. It had therefore been somewhat disappointed to find the Arab countries apparently failing to follow through the zealous, and perhaps somewhat jealous, initiative they had taken the previous year in requesting the inclusion of that special provision in the resolution. Institutes had been or soon would be set up in Latin America, Africa and Asia. It was regrettable to his delegation that the Arab countries had apparently yet to make a definite request for the establishment of an institute in their region, and it urged them to take positive action in that direction.

35. Recent developments in the pattern of international trade brought about by the formation of regional economic groupings were a source of concern to the developing countries. They were particularly concerned at the effects of the European Economic Community. Such groups as the Council for Mutual Economic Assistance (COMECON) were of much earlier origin, it was true, but they represented a *de facto* situation for newly independent countries and, moreover, remained largely outside those countries' established pattern of trade. The possibility that the United Kingdom might join EEC had accentuated such anxieties, particularly in the British Commonwealth countries, as the recent meeting of the Commonwealth Prime Ministers at London had shown. There was no doubt that regional economic groupings would adversely affect the interests of the developing economies, if they were conceived and operated in a restrictive or discriminatory manner, as article 37 of the

Cairo Declaration of Developing Countries noted (A/5162).

36. The partisans of the European Common Market maintained that the demand for primary commodities in the member countries, and their imports of such commodities, would persist and even increase. The main question, however, was not whether regional economic groupings would generate an increase or a decrease in demand, but what kind of demand they would curb, and in what direction demand would be channelled. It was obvious that those problems would continue to concern most developing countries for a long time to come and that economic integration in itself could not be assumed *a priori* to be either good or bad. The world-wide importance and universal character of the trend towards economic groupings could not be denied. Unfortunately, the national approach to the subject had been over-stressed, and it would accordingly be useful for a United Nations group of experts—perhaps the one to be set up under Economic and Social Council resolution 919 (XXXIV), if its terms of reference were extended—to study the effects of all economic groupings on world trade, with special reference to the trade of the developing countries; the report of those experts could also be submitted to the United Nations Conference on Trade and Development.

37. His delegation sincerely wished to see that conference succeed, so that the developing countries might benefit. However, the success of the conference would depend on its ability to keep its deliberations within the limits of the objectives set. The enlargement of the Preparatory Committee would be justified, but it was the guide-lines worked out for it that were more important. His delegation would therefore support the draft resolution which responded to the anxieties expressed in that regard (A/C.2/L.648 and Add.1). It would be regrettable if the opening date of the conference was unduly delayed, but the Preparatory Committee and the participating Governments must be allowed time to complete their preliminary studies and to decide on their policies. If the Preparatory Committee was to be enlarged, its new members should be selected before the end of the seventeenth session of the General Assembly so that the Committee might start work without delay.

38. In conclusion, he recalled the difficulties which his country had encountered since gaining its independence, in that it had had both to sustain the high level of living reached in the past through excessive military spending by the metropolitan Power and to build the infra-structure for an economy which had depended mainly on commerce encouraged by a liberal import policy, under which the value of imports, in 1960, had equalled half the gross national product. The latter, which had been \$243 million in 1957, had dropped to \$220 million within the first year of independence; in the same period, *per caput* income had dropped from \$452 to \$390. Assistance from the United Nations had enabled the Government of Cyprus to assess the economic potential of the island and to prepare a five-year programme under which the national product was expected to increase by 6.2 per cent a year and *per caput* income by 4.2 per cent a year. That programme recognized the feasibility of economic development through democratic processes. Consistent with that neo-liberal outlook, the State would undertake to build the infra-structure and to provide an environment favourable to private enterprise. Of

the \$174 million to be spent, \$87 million would be found from internal resources; for the remainder, the Government of Cyprus proposed to seek assistance from international finance institutions.

39. In the opinion of Mr. MINAI (Iran), it was now universally recognized that the question of the hour was the development of the economically backward nations. Those nations, which were not making full use of their natural and human resources, would have to accelerate their growth in order to reduce the gap separating them from the developed countries. It was therefore particularly regrettable that they were moving forward much more slowly than the industrialized countries, whose progress was further enhanced by the triumphs of science and technology. All States had indeed become aware of the gap between the two groups, but it could be bridged only by large-scale assistance from the industrial countries, unceasing efforts on the part of the developing countries and changes in the existing trade picture. Despite all their efforts, the under-developed countries had achieved an increase of only 2.1 per cent per annum in their gross national product during the past ten years, as opposed to 3.8 per cent in Western Europe and 7.2 per cent in Japan; moreover that increase had been nullified by the high rate of population increase.

40. Similarly, the flow of capital from the developed to the under-developed countries had not reached a satisfactory level. According to figures furnished by the Organization for Economic Co-operation and Development (OECD), excluding investments in the oil industry, the flow of government grants and loans of all kinds to the under-developed countries totalled between \$7,800 and \$8,700 million a year, whereas some \$10,000 to \$12,000 million would be needed to reach the objectives set for the United Nations Development Decade. The situation was all the more serious in that the under-developed countries could not hope to make up that shortfall through their export earnings, since the current trend of prices was against them. It was therefore important that new sources of capital should be created and that existing loan and credit facilities should be expanded. The establishment of a United Nations capital development fund, in accordance with General Assembly resolution 1521 (XV), therefore deserved very serious consideration. In addition, the international agencies supplying capital should be made more flexible in operation, for their interest rates were excessive and imposed a heavy burden on the developing countries. IDA, the only agency whose terms were more favourable, could serve a useful purpose if its capital was increased.

41. The other way in which the under-developed countries could obtain the foreign currency they required was by exporting, but they were in an unfavourable position. The boom resulting from the Korean war had enabled them to finance their economic development for a time, but that was no longer the case. The steady fall in the prices of the products they sold on the world market had nullified the effect of the aid they had received. Their balance of payments situation had been further aggravated by the steady rise in the prices of the manufactured goods on which their growth depended. Hence it was only through collective measures that the primary producing countries could protect their interests. The General Assembly had already recognized, in resolution 1707 (XVI), that trade was the primary instrument for economic development. His delegation accordingly supported the idea that a United Nations Conference

on Trade and Development should be convened in order to stabilize commodity prices. Iran had suffered heavy losses through the deterioration of its terms of trade: the price of petroleum, which represented almost 90 per cent of its exports, had dropped 14 per cent since 1959, whereas the price of manufactured goods had risen by 10 per cent. The decline in both Government revenues and foreign-exchange earnings had necessitated a cut of almost 25 per cent in projected public expenditure under the third development plan. In order to protect its interests, the Iranian Government had co-operated in the establishment of the Organization of Petroleum Exporting Countries and was currently negotiating with the oil companies with a view to reaching an agreement on the price of fuel without jeopardizing the interests of the consumers: it had proposed for that purpose that the price of oil should be linked to that of manufactured goods.

42. The under-developed countries also needed to diversify their economies, and to that end they would have to industrialize. They would therefore be greatly in need of assistance from the developed countries and from international agencies. It would accordingly be desirable that the aid they were receiving should be further increased. A step in the right direction had been taken by the establishment of an Industrial Development Centre and the appointment of a Commissioner for Industrial Development. Everything necessary should be done to enable the Centre to meet its gigantic task. The regional economic commissions would also have a most important part to play.

43. Since the post-war period, Iran had been endeavouring to modernize its agriculture, develop its means of communication and introduce new industries. From 1955 to 1962, total gross capital formation in the public and private sectors had exceeded 20 per cent of gross national product, representing an extremely high rate of investment. Over three-quarters of the sums invested had come from domestic savings and the remainder from loans or grants from the International Bank for Reconstruction and Development and from other countries, including the United States. After the war, the Shah, conscious of the vital importance of agriculture to the economy, had initiated a land-reform programme in the crown-lands, which had resulted in improved conditions and a higher level of living for many farmers. The Government, for its part, had launched in June 1961 a land-reform programme which would affect all large holdings and which should be completed in three years. In order to accelerate the growth rate, two seven-year economic development plans had already been implemented. The Plan Organization had concentrated first of all on providing the economic and social infra-structure and on modernizing agricultural methods. A large proportion of the available funds had been allotted to irrigation, seed improvement, fertilizer application and pest control. On the industrial side, the building material, textile and sugar industries had been developed, largely with the help of private enterprise. Highways had been built, and two of the country's richest provinces had been linked to the railway network. The port capacity, which had been sorely inadequate, would soon be sufficient to meet all the needs of a steadily expanding economy.

44. However, the execution of that programme had set up great inflationary pressure, which had had to be checked, and for that purpose a programme for the stabilization of the economy had been worked out with the help of IMF. In order to combat the rapid rise in

prices and the adverse balance of payments, it had been decided to reduce the public debt and to abandon the liberal credit policy and the import policy which had exhausted the foreign-exchange reserves. In particular, the import of some 210 items of non-essential and luxury goods had been prohibited.

45. The successful completion of that stabilization programme had enabled the Government to launch, in September 1962, a third five-year plan involving the expenditure of some \$4,000 million. About half that amount would be furnished by the Government from the proceeds of the oil industry and the remainder would be provided by the private sector. The Government expected, however, a gap of about 20 per cent between the capital needs and the available funds; that deficit would have to be met by loans from abroad, and the Government had already begun negotiating with the International Bank and with various Governments for

the capital required. If the objectives of the plan were attained, the gross national product would grow at the rate of almost 6 per cent a year.

46. In conclusion, he wished to stress that the proclamation of the United Nations Development Decade would not in itself suffice to change the existing situation, which was unfavourable to the under-developed countries. Success would be possible only if those countries were prepared to make great sacrifices and if the developed countries and international agencies agreed to help them.

47. Mr. BUTTI (Iraq) said that his delegation reserved the right to reply in due course to the Cypriot representative's observations concerning the attitude of the Arab countries.

The meeting rose at 5.30 p.m.