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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/L.645, 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. CARANICAS (Greece) paid a tribute to the Secretariat for the excellent quality of its reports, especially the report on proposed measures for attaining the objectives of the United Nations Development Decade (E/3613) and the World Economic Survey, 1961 (E/3624/Rev.1), which the Under-Secretary for Economic and Social Affairs had interrelated and brought up to date in his statement to the Committee (795th meeting).

2. There was a compelling need to adjust to events, which were developing with increasing speed. But while man had few problems in adjusting to scientific progress, he had not understood nearly so well the equally significant political and economic changes that had been taking place since the Second World War, the three most important of which were: first, the independence of India in 1947, which had marked the beginning of the end of the great colonial system and the emergence of many new nations, almost all of them economically under-developed; secondly, the rapid growth of the Soviet Union to a leading economic and nuclear Power, which had brought about a new balance of political forces, the division of Europe between East and West and the so-called cold war; and thirdly, the fact that, shorn of their colonies, the Western European

Powers had turned their efforts to the creation of a new system, the European Economic Community.

3. The speed of those developments had tended to obscure their magnitude; as a result, adjustments were often slow because of an inadequate understanding of current realities. The reluctance of the advanced countries to make the structural changes needed to foster economic progress in the under-developed world was matched only by the hesitation of many of the less developed countries to make cultural changes. According to Barbara Ward, in her book The Rich Nations and the Poor Nations, the world was in a revolutionary age in which four trends were of central importance: first, the desire for equality, not only within individual countries, but also internationally; secondly, the general demand for more goods; thirdly, the sudden vast rise in the birth-rate in many parts of the world; and fourthly, the application of science to economic processes. As regards the third, his delegation felt that, whatever amounts of foreign aid and investment might be made available during the United Nations Development Decade, economic and social progress could not but be very slow in countries where the population growth was about 2 per cent a year. Unless a remedy was found for the effects of the population explosion, the hopes of two-thirds of the world for a better life would be doomed to frustration since it was principally in the poorest countries that the birth-rate was particularly high.

4. One essential requirement in the present debate was to agree on the meaning of certain terms in frequent use. Generally speaking, the word "under-developed" was used with the implication that the most significant criterion for assessing that phenomenon in the world today was the standard of living, which in turn should be measured in terms of indices that were inextricably linked with industrialization: countries that were "industrialized" were rich and countries which were not were poor. However, New Zealand, for example, which was not industrialized, enjoyed a very high standard of living.

5. There was also confusion over the word "poverty". Poverty, in the relative sense, was having less than others; in the absolute sense, it might be defined as a condition of squalor, abject misery and near-starvation. In his opinion, there should be a minimum standard below which no human being should be allowed to fall. Another confusing term in wide use was "closing the gap" between the under-developed and developed countries. When the "now developed" nations, to use the term employed by Gunnar Myrdal, had succeeded in bringing the under-developed countries to a minimum level of living, then, and only then, could there be no divergent definitions of poverty in either the relative or the absolute sense. "Closing the gap" would therefore mean essentially that the now developed countries should develop no further and that any surplus over that minimum level should be used to supply the under-developed countries with capital. If, however, the rich countries continued to develop their already enormous productive capacities for their own use, the less developed countries would become poorer in relation to them and the result for them would be poverty in the absolute sense. Thus, advocacy of "closing the gap" implied that the developed countries should either slow down consumption or discourage the desire of their peoples for a rising level of consumption.

6. Another anomalous term was "over-developed". If technical development produced a higher level of

living, how could a country be considered over-developed unless there was over-consumption or waste, in which case it might be considered that the country in question, the United States for example, had passed the point of optimum development.

7. When the United Nations Development Decade had been proclaimed, in December 1961, with the objective of increasing the aggregate national income of the less developed countries by 5 per cent per annum, the Atlantic powers had in the same month accepted the goal of adding, by 1970, \$500,000 million to their annual national income, at a time when the national incomes of the developing nations very often did no more than keep pace with their growing populations. The members of the Organization for Economic Co-operation and Development had also announced goals which would result in an acceleration of the rate at which the rich were leaving the poor behind. As Barbara Ward had pointed out in an article entitled "We are all Developing Nations", those bold and ambitious policies for Western economic growth could intensify the resentment of the developing nations, for, in addition to the growing economic gap between the very rich and the very poor, there was a gap of misunderstanding which could be called the "psychological gap".

8. The causes of poverty were not simple. Poverty might result from an oppressive social structure in which the many worked to provide comforts for the few, or from a feeble or corrupt State administration. Moreover, poverty was self-perpetuating since the poor society lacked funds for investment. The answer lay in the provision of economic aid and assistance in its use, and only the industrialized countries could do that. It was worthy of note that, over a period of twelve years, the Western industrialized countries had given the under-developed countries \$70,000 million in aid, of which \$40,000 million had come from public sources. The results of that aid had not, however, been commensurate with the efforts made, and foreign aid continued to be a highly controversial issue. It was claimed that too many Governments wanted to use aid funds rather than their own resources, that in some cases development aid was leaving the recipient country and going to Swiss or United States banks and that the policy of many Western countries with regard to the types of aid given and the prerequisites for it should be reappraised.

9. On the other hand, when, at the fifteenth session of the General Assembly, the Indian representative had suggested that the industrialized nations should contribute 1 per cent of their gross national product for the development of the under-developed countries, it had been considered a very difficult target to reach; today, however, assistance in most cases far exceeded that figure and in one case, amounted to more than 2 per cent. But it was its composition and distribution that gave rise to discussion. While there could be no doubt that the industrialized countries could easily increase their contributions for development, the results of the 1962 Pledging Conference on the Expanded Programme of Technical Assistance and the Special Fund afforded no grounds for undue optimism.

10. There was much uneasiness in the industrialized countries with regard to the rules which should govern economic policies in the field of foreign aid; some felt that, at the moment, development aid placed too much emphasis on economic planning and too little on individual effort; opinions differed concerning whether

aid should go to countries offering the best prospects for economic growth or to the maximum possible number of recipients. As was mentioned in a working paper, dated 30 August 1962, which had been examined by the ECAFE Working Party on Economic Development and Planning, as long as there was no single agency centralizing foreign assistance and no criterion for determining the recipients, the policies of the donor countries would continue to prevail. When three under-developed areas—Africa, Asia and Latin America—were competing for assistance, if Asia was to receive a fair share, it would have to adopt policies and measures to attract more capital. Foreign aid could be helpful only to the extent that the Government and people of the recipient country mobilized their own resources. Development was primarily a national enterprise, as the representative of the United Arab Republic had stressed. That point of view was also expressed in the Cairo Declaration of Developing Countries (A/5162).

11. Aid for development was related to the problem of development itself, and here again economists were in disagreement. A group of economists which had recently met at Geneva had concluded that the experience of the developed countries could serve only as a partial guide to the developing countries and that the differences between countries were far too great for the same methods to be universally applicable. Similarly, his delegation thought that growth depended on the activities of society as a whole and was not an isolated phenomenon. It was therefore necessary to study the whole process of interaction between man and his environment in a particular set of circumstances; there was no single path of economic development.

12. The key to balanced growth lay in the ability to adapt to new economic situations—an ability which was not characteristic of traditional society. However, a strong national feeling could imbue a traditional society with the desire to enjoy the advantages of the modern age. The growth "take-off" led ultimately to industrialization, but the latter depended on the acceptance of numerous innovations. Governments played a significant role in the "take-off" process and social justice had to be the primary target of their planning, for increased productivity was worthless if none of its benefits accrued to the individuals on whose efforts it was based.

13. The question of economic groupings, particularly the European Economic Community, was a matter of primary concern to the Committee, which should concentrate on the central issue: did such groupings promote economic growth and the expansion of trade? The potential of EEC had been demonstrated by its strength and vitality. During the period 1958-1961, total EEC imports and exports had both risen by about 27 per cent, which was substantially more than the increases reported by the United Kingdom and the United States of America for the same period. The expansion in its imports from under-developed countries had already been commented upon adequately. With the entry of the United Kingdom, the population of EEC member countries would be 20 per cent larger than that of the United States of America; its gross national product, although at present less than half that of the United States, had grown, since 1959, at a rate almost double that of the United States. Furthermore, the rising levels of demand in EEC would promote a greater flow of international trade, which would mean

a substantial and more stable demand for the raw materials produced by the less developed countries.

14. The European Economic Community thus presented an opportunity; but it had created fears that, while eliminating trade barriers internally, it would maintain them against outside countries. It was felt that there was an urgent need for non-participating countries to adapt to the new situation EEC had created. However, it should be recalled that EEC had repeatedly reduced its common external tariff on a unilateral basis and that other reductions had been negotiated bilaterally and extended to all GATT members, with the result that its external tariff was now below its initial level. In fact, from the tariff point of view, EEC would soon be comparable with the United States of America or the Soviet Union. The fact that its trade policy was liberal and outward-looking appeared to indicate that the trade of other countries, especially those exporting manufactured goods, would not be hampered. The developing countries were mainly concerned for their primary commodity trade, but even the agricultural products of those countries would not be hurt by the common tariff of EEC in the long run. At the 807th meeting, the French representative had given a clear and persuasive explanation of the agricultural policies of EEC with reference to the misgivings voiced earlier by the Yugoslav delegation at the 800th meeting.

15. Greece's entry into the European Economic Community, in July 1961, as an associate member had been a milestone in the history of EEC, as it had marked a new stage in the building of Europe. After long negotiations which had nevertheless been conducted in a co-operative spirit, a definite time-table had been agreed upon for Greece's participation in EEC. Greece had decided to ignore the many warnings concerning the dangers for a less economically advanced country of participation in a powerful economic group of industrialized countries, as it had concluded that the advantages to be gained well outweighed any possible disadvantages. The association agreement, which would become effective on 1 November 1962, did not merely provide for a customs union in which his country would enjoy all the rights without immediately assuming all the obligations. It also dealt with other matters, such as the movement of persons, services and capital, the right of establishment, transport and rules of competition. A council of association had been set up to work out the detailed implementation of the agreement.

16. The case of Greece illustrated the advantages and opportunities which association with EEC offered to less developed countries desirous of accelerating their economic growth. The Treaty establishing the European Economic Community provided for various possible arrangements and any difficulties could be overcome by patient negotiation.

17. Mr. TEZEL (Turkey) said that the proclamation of the United Nations Development Decade was indicative of growing international awareness of the need to create conditions conducive to the economic development of the less developed countries. Previous United Nations action had consisted of many independent activities which sometimes vied with each other. The Decade had the great merit of rising above national, racial and ideological considerations. Its success would depend on the extent to which the programme's moral basis was accepted. His delegation welcomed the Secretary-General's report on proposed measures

and the Economic and Social Council's resolution 916 (XXXIV).

18. The most important task was that of increasing the export earnings of the less developed countries. Those of Turkey, for example, had dropped 20 per cent between 1953 and 1960. The steady fall in raw material prices and the difficulties those countries were encountering in selling their manufactured and agricultural products were hampering their development programmes and nullifying the effect of the aid provided by the more fortunate countries. Considerable efforts were being made by the international bodies concerned with trade and by States themselves, but the unfavourable trend was continuing. A more bold and effective approach therefore appeared to be essential. His delegation believed that a procedure for making the markets of the industrialized countries more receptive to the under-developed countries could be developed through the existing international trade bodies, provided a progressive approach was adopted which would avoid the disorganization of markets and of traditional trade patterns.

19. His Government welcomed the very useful agreements which had been concluded to regulate trade in certain primary commodities, but there was a need for a more general approach which would compensate the developing countries for the losses they incurred owing to fluctuations in the prices of primary commodities. It whole-heartedly supported the current efforts to develop a system as outlined in Economic and Social Council resolution 915 (XXXIV).

20. Another constructive and realistic step had been the adoption by the Council of resolution 917 (XXXIV) on the convening of a United Nations Conference on Trade and Development. The Conference would require careful preparation in which the various international organizations could play an important role. Another useful decision by the Council was that calling for the appointment of a group of experts on commodity and trade problems of developing countries (resolution 919 (XXXIV)). His Government would deplore the exertion of any pressure on the Committee designed to set new objectives for the Conference, as they would only frustrate the hopes which had already been placed in it.

21. His delegation also welcomed Council resolution 923 (XXXIV), which should benefit both suppliers and recipients of foreign capital; the Secretary-General's reports would assist in evaluating the extent of the need for capital and in achieving the goals of the United Nations Development Decade. Council resolution 922 (XXXIV) also deserved special attention. The importance of international private investment was fully appreciated by Turkey which, in order to promote foreign investment, had enacted particularly liberal legislation on foreign capital and petroleum. He attached particular importance to the United Nations work programme in connexion with industrialization. Council resolution 893 (XXXIV) represented an appreciable step forward in dealing with that problem.

22. As a developing country, Turkey was conscious of its responsibilities in relation to the Development Decade and was boldly striving to ensure a sound foundation for economic and social development. Following the example of many western European countries, it had established a state planning organization, whose primary function was to draw up a fifteen-year programme of economic and social development. The first five-year phase of that programme, to begin in 1963, had already been submitted to Parliament.

The purpose was to achieve a 7 per cent growth in national income each year, which would result in a net increase of 4 per cent, since the population was rising by 3 per cent annually. It was hoped to raise the national income from its present figure of \$5,850 million to \$16,150 million by the end of the fifteen-year period. At first 16 per cent and later 19.4 per cent of the national income would be used for investment. The programme called for the harmonious planning of industrialization, diversification and the establishment of a highly productive agricultural sector. Turkey's social needs would not be neglected. Both the public and the private sectors would participate in the implementation of the plan.

23. Mr. TRUCCO (Chile) said that economic growth could not be an isolated phenomenon restricted to one nation, since the economies of even the highly developed countries, which accounted for only one-sixth of the world population, depended on foreign markets and sources of supplies. The political factor was not the only one involved in foreign aid, although it was important because the promotion of higher levels of living in the under-developed countries had to be accompanied by support of democratic principles and the shunning of violence and subversion. Harmonious international co-operation was essential so that the highly developed countries were not placed in the defensive position of being permanently urged to give and the under-developed countries were not forced into the aggressive attitude of continually demanding.

24. There were two ways in which the under-developed countries could obtain from abroad the additional economic resources required for their development. The first the soundest was to export their products at stable and remunerative prices. In that connexion, considerable efforts had been devoted to improving the position of the primary-producing countries. Progress had been slow, because the scope and complexity of the problems made it difficult to find solutions suitable for all countries. His delegation supported the idea of an international conference on trade problems, the agenda of which should be limited to the most vital aspects. The necessary documentation should be prepared in time for study before the Conference, at which emphasis should be placed on co-ordinating the efforts of the many international trade organizations. The Conference should result in practical measures to prevent the permanent deterioration of the terms of trade of developing countries, and not merely in general declarations of goodwill.

25. The second possibility for the under-developed countries was to obtain foreign aid so that they could make better use of their resources, diversify their production and increase employment opportunities. He explained that he was referring to government credit, which should be based on the political and social principles of the United Nations, and not to private capital, which tended to depend on security of investment and the best yield. The sources of foreign aid could be divided into three groups: first, the international financing organizations, such as the International Bank, the International Development Association and the Inter-American Development Bank; secondly, the United States and its international agencies, except for the Export-Import Bank, which belonged to the first group; and, thirdly, all other Governments providing foreign aid. With very few exceptions, the third group granted aid to developing countries, or at least to Latin American countries, solely for the financing of specific projects combining a high manpower input with the use

of imported equipment which the donor country wished to export. In other words, the donor country was basically helping its own industries.

26. The attitude of the international financing organizations was not much better, since their basic policy was to lend only for the imported component of specific projects, usually leaving the remainder to be financed by the recipient countries. Such a policy favoured developing countries with the smallest domestic production, which imported almost all the requirements for a particular project, and placed the more advanced developing countries, which imported only heavy specialized equipment, at a disadvantage. Moreover, the developing countries' annual budgets did not always cover a select group of large-scale projects; more usually they covered smaller projects that did not merit the attention of the international organizations. The need to finance the local component of large-scale projects made it very difficult for developing countries to find the necessary national resources for such smaller projects. However, the Inter-American Development Bank provided aid which was not restricted to the imported component and which was therefore in considerable demand, while other international financing organizations found it difficult to use all their resources because of the restrictions they imposed.

27. The developing countries urgently needed aid without restrictions, which they could use to finance projects such as small schools and irrigation canals. In that connexion, the Alliance for Progress, which was the best example of a programme based on the most modern concepts of international social and economic co-operation, had raised the hopes of many Latin American countries including Chile, which it had enabled to carry out many projects, including the construction of an airport and a school. However, the Alliance for Progress was in danger of failure, owing to the delays inherent in the political system which it was designed to defend and to opposition in the United States Congress. In the United Nations there should be vigorous support for a movement to share in the responsibility of promoting the development of the countries whose population, representing the overwhelming majority of the world's population, was in a state of political and social upheaval and might rise up and create unexpected havoc.

28. Like the majority of developing countries, Chile wanted to export its products at stable and remunerative prices; it needed credit, without restrictions which prevented the diversification of its production and the improvement of its people's social conditions, and also considerable technical assistance. The highly developed countries should recognize their obligations and understand that in an inter-dependent world collective well-being should not be limited by frontiers.

29. Mr. STANOVNIK (Yugoslavia), exercising his right of reply, recalled that the French representative had spoken at the 807th meeting in connexion with the misgivings voiced by the Yugoslav delegation at the 800th meeting concerning the common agricultural policy of the European Economic Community. The French representative had implied that there was inadequate knowledge of the aims and purposes of the common agricultural policies of EEC. The Yugoslav delegation considered that the members of the Committee were entitled to information on the policies and

measures to be introduced by EEC member countries. In particular, it wondered how the system of levies on agricultural products would operate so that it did not result in the diversion of trade or harm the interests of third countries, and whether the common agricultural policy would differentiate between members and non-members of EEC if members derived no advantages from it and non-members no disadvantages. If that was the case, it was difficult to see why Greece had sought associate membership.

30. Mr. VIAUD (France) said that, by implying that there was a lack of knowledge of the aims of the common agricultural policy, the French delegation had wanted to point out that it was incorrect to use such terms as "restrictions" and "discrimination" in that connexion. The basis of the common agricultural policy of the European Economic Community was the system of levies. Agricultural imports would have free entry into member countries and would no longer be subject to quotas or customs duties. However, they would be subject to levies, the purpose of which was to bring the prices of the imported products to the same level as the prices in force within the member countries. That measure was necessary, because modern trade in agricultural products was faced with the problem of organizing markets so as to eliminate discrepancies between countries' external and internal prices. There should be one price for agricultural products, which would be remunerative for the producers and enable them to use the opportunities of trade with EEC countries on equal terms with EEC producers. There was thus no discrimination involved in the common agricultural policy. Discussions were being held at Brussels concerning the use to be made of the sums obtained from levies on agricultural products and it was hoped that a decision would soon be reached.

#### Organization of the Committee's work

31. The CHAIRMAN suggested that a time-limit should be fixed for the submission of draft resolutions on the first group of items on the Committee's agenda.

32. Mr. STANOVNIK (Yugoslavia) suggested that a final date should be set for the submission of draft resolutions on agenda item 36 (Question of holding of an international conference on trade problems) which should be given priority. It might be better not to fix a time-limit for the submission of draft resolutions on other items, so that delegations had time for informal discussions beforehand.

33. Mr. FINGER (United States of America) agreed that priority should be given to draft resolutions bearing on item 36, but thought that a time-limit should also be fixed for draft resolutions on other items.

34. The CHAIRMAN suggested that, since the general debate might be completed by the end of the following week, 12 noon on Friday, 26 October should be fixed as the time-limit for the submission of draft resolutions on item 36 and, subject to reconsideration during the week, for draft resolutions on other items. He also assumed that the Committee agreed to give priority to draft resolutions on the international trade conference under item 36, which should be considered immediately after the conclusion of the general debate.

*It was so decided.*

The meeting rose at 6 p.m.