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TWENTIETH SESSION

Official Records



**SECOND COMMITTEE, 956th
MEETING**

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Chairman: Mr. Pierre FORTHOMME
(Belgium).

GENERAL STATEMENTS (*continued*)

1. Mr. AGUIRRE (Costa Rica) observed that in spite of the economic and social progress made in the world in recent years, the terms of trade of the less developed countries had continued to deteriorate in relation to the industrialized countries, the competition of the major industrial countries had in some cases become more severe than before, and promises made at the United Nations had been belied by trade drives—some of them in the form of dumping.

2. The General Assembly must face up to those realities, and the best way to do so was to perfect and strengthen the machinery of the United Nations Conference on Trade and Development. In order to secure the adoption at the nineteenth session of the General Assembly of the resolution (1995 (XIX)) setting up the Conference as a permanent body, the group of seventy-seven developing countries had at that time been forced to abandon certain hopes to which today's favourable circumstances once again gave encouragement. His delegation therefore intended to join with other delegations, in due course, to submit proposals designed to define more precisely the functions and competence of the permanent organs of the Conference, to harmonize the latter's relations with GATT and to ensure greater speed in moving on from studies and research, which were admittedly indispensable, to practical action.

3. It was essential to take vigorous action to meet the need not only for implementing the recommendations adopted by the Conference at Geneva so as to establish more equitable rules of international trade, but also for bringing about a fairer distribution within each country of the income resulting from the increase in commodity prices by raising wages so as to promote social justice and create more purchasing power, thus fostering the creation of domestic markets. It would be difficult to induce the developed countries to agree to an increase in commodity prices so long as they could argue that the income from such an increase would benefit only a small number of persons. His delegation therefore felt that international agreements on commodities concluded under the auspices of the Conference should contain provisions regarding minimum wage legislation in the producing areas. It would be useful, in

that connexion, for the United Nations and its organs responsible for dealing with the problems of international trade to enter into co-operation with the economic forces represented by the major trade union organizations, chambers of commerce and industrial associations.

4. When the General Assembly began its review and reappraisal of the functions of the Economic and Social Council, it should, in the view of his Government, do so in the light of the activities of the Conference, so as to ensure effective co-ordination of the Conference's activities with those of the Council and its organs, particularly the regional economic commissions. While it was essentially the Council's responsibility to harmonize different economic policies and systems, the task of devising and applying practical solutions lay with the bodies dealing with trade and development, which should therefore be given greater authority and entrusted with responsibilities which were still withheld from them in rather covert fashion.

5. The Conference on Trade and Development had aroused hopes in the developing countries that it would, by the very fact of meeting, put an end to the steady decline in commodity prices on the international market. However, those hopes had proved vain. The twentieth session of the General Assembly, and in particular the deliberations of the Second Committee, offered an excellent if not unique opportunity to undertake, in a spirit of goodwill, not only a study of ways of halting the process of deterioration in the commodity markets but also the formulation and the application in all countries of short and long-term measures designed to restore the world's economic equilibrium. In particular, consideration could be given to the establishment within the framework of the Conference of machinery for recording and analysing at regular intervals the progress made in applying the agreements which should as soon as possible link all States Members of the United Nations at the economic level.

6. Costa Rica, which placed all its hopes in the United Nations agencies responsible for dealing with economic questions, wished to reaffirm its desire to co-operate and would provide evidence of that desire in the course of the Committee's work.

7. Mr. JEANNENEY (France) said that, although the crucial question of development had often been taken up and dealt with in international bodies, the excellent statement by the Under-Secretary for Economic and Social Affairs (955th meeting) had shown both the magnitude and the urgency of the problems to be solved. While it was useful to note the progress achieved, it might be more fruitful to study the

errors that had been made and consider what should be done to remedy them. Because of its universality, the United Nations was an excellent place of vantage from which to gain a full awareness of the great diversity of development problems from one country to another and of the immensity of the work to be done.

8. Assistance to the developing countries was, of course, essential and should be provided to the maximum extent when permitted by political and economic circumstances and the state of public opinion. However, while the volume of assistance should be increased, care should be taken to ensure that the developing countries did not succumb to the delusion of seeing outside aid as the solution to their difficulties. Those countries must not think that their fate depended on the volume of such aid and that the transfer of wealth was an essential factor in their development. Countries must achieve economic development primarily through their own efforts. Despite its usefulness, outside help could only serve as a makeweight. It could spur efforts by acting as a leaven or catalyst for the national will and filling certain technical gaps. However its effectiveness depended largely on the nature of the environment in which it was put to use. Wealth was not a stockpile of goods which could be transferred and distributed according to a set of equitable rules, but a continuous flow of activities whose effects were felt only in the place where carried on. Assistance was thus essentially a means of promoting those activities in the developing countries; that was certainly true of financial aid, and to an even greater extent of technical assistance.

9. One of the main difficulties connected with financial aid was the excessive indebtedness into which the developing countries were drawn by existing aid arrangements. That resulted from the practice of using loans to finance not only projects yielding a quick return but also infra-structure or social and cultural development projects which yielded a slower return. However important the latter type of project might be, it was a very long time before the progress achieved through its execution brought tangible results in the form of foreign currency earnings and the acquisition of the means of payment required to liquidate the debts which had been contracted. It therefore seemed that the development needs of the developing countries were best served by the trend, noticeable for the past few years, to seek an increase in the proportion of aid provided in the form of gifts rather than loans and to favour loans providing for longer periods of repayment and grace and very low interest rates.

10. With regard to the special role of the United Nations in that connexion, it was clear that the institutions founded at Bretton Woods, particularly the International Bank, had a vital part to play in financing rapid-return operations. The United Nations was not required to take upon itself the financing of multilateral assistance. Its task was to conduct other, more costly operations which yielded longer-term but more beneficial results, such as the pre-investment activities of the Special Fund. One of the greatest difficulties in financing assistance to the less developed countries was that of determining the value and

profitability of projects; that difficulty should be fully appreciated. It was natural and necessary that a great many studies should recommend rejection of the proposed investment. A research centre was as useful when it advised against a project as when it recommended it. The developing countries should be warned against spectacular investments which would be a burden rather than a help. On the other hand, it was regrettable that when Special Fund studies resulted in a favourable recommendation, provision for financing was not always made at the same time; that could produce a feeling of frustration in those affected.

11. In technical assistance, as in the transfer of wealth, it was important not to fall prey to illusions regarding the transfer of knowledge. It was relatively easy to provide patents and give the necessary instructions, but the application of modern technology called for a whole set of practical and intellectual qualities and habits involving precision and accuracy, which entailed a long and difficult process of training. The mere elimination of illiteracy was not sufficient for that purpose, and it might be that specialized vocational training was a more urgent need in some countries if industrialization was regarded as the goal of development.

12. Industrialization was necessary in order to raise levels of living and develop natural resources. However, it would be a serious mistake for a country to promote industrialization without considering the impact on agriculture. If it was to contribute to the general well-being, industrialization must meet certain agricultural requirements, for the inadequacy of food resources was still the basic problem. Industrialization could promote agricultural progress—and, indeed, was a necessary condition of that progress—in that it provided the required means of production, employed part of the surplus rural population and thus increased the productivity of the remainder and, finally, gave an example of the necessary spirit of productivity and interest in technical innovation. It was important, however, not to disrupt traditional rural institutions without replacing them with sound, modern institutions. Otherwise, industrialization might bring about what one sociologist had described as the clochardisation of the country or the growth of vagabondism. Thus, constant attention should be given to the possible impact of industrialization on the society, on the people's way of life and thought; the problem must be approached from the sociological standpoint. What was needed, therefore, was industrial diversification in which many types of industry could find markets within the country itself or in neighbouring countries. It was desirable for such diversification to develop within a regional framework in which agricultural products could also find an outlet, so that the cumulative effects of development would have the best chance of producing a regional impact.

13. The goal should not be to form entities with closed economies but, on the contrary, to expand world trade, which was an essential factor in the fight against under-development. An expansion of world trade was desirable not so much because of the specialization it permitted as because of the

competition and emulation it stimulated. If the competition was to be fruitful, it must take place under conditions that made it possible for the young industries to prove their worth, acquire technology and win customers. World trade must be organized not only with a view to a better definition of the rules governing trade between market economies but also in the light of the coexistence of market and collectivist economies. The capitalist economies could benefit greatly from trading with countries whose economies, being planned, offered markets that were predictable in the aggregate. As to the collectivist economies, they naturally looked to the capitalist economies for supplementary capital goods, mainly products whose quality or price provided them with points of reference, for it was comparison that could give rise to peaceful competition.

14. It was in the interests of the under-developed countries that trade should grow and that the various economic systems should prosper as much as possible. Moreover, three-way trade was always preferable. The rules used among capitalist countries could not,

however, be applied to the collectivist countries, and vice versa. Thus, in practice a special kind of trade relations was emerging; certain rules designed to offer mutual advantage still remained to be defined.

15. Whatever the problems confronted or the action required, it should always be borne in mind that the usefulness of an institution, whether national or international, could not be measured in terms of the number or ability of its personnel or of the money it spent, but in terms of whether it properly adapted its resources and methods to its objectives. Such economy of means could be achieved only through on-the-spot appraisal of the impact of the action taken, or, in short, of the effectiveness of the entire undertaking.

16. The CHAIRMAN suggested, pursuant to rule 116 of the rules of procedure, that the list of speakers should be closed at noon on 11 October.

It was so decided.

The meeting rose at 12.15 p.m.