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Chairman: Mr. Jorge Pablo FERNANDINI
(Peru).

GENERAL STATEMENTS (continued)

1. Mr. SZABLEWSKI (Poland) observed that the gap between the developed and the developing countries was growing and that there were no indications that that trend could be checked in the foreseeable future. The economic growth rate of the developing countries was extremely low and there had even been a 1 per cent decrease in the agricultural production of those countries in 1966. Furthermore, during that same year the prices of the commodities they exported had fallen to their lowest level since 1962. Consequently, instead of achieving an annual growth rate of 5 per cent, as had been foreseen for the United Nations Development Decade, the developing countries had achieved a rate of only 3 to 4 per cent and a per capita rate of only about 2 per cent.

2. It was often said that a favourable economic situation in the capitalist countries automatically influenced the acceleration of economic development in the developing countries. That theory, however, had not been substantiated by the facts. On the other hand, it was clear that any adverse change in the economy of the capitalist countries affected the economic situation of the developing countries, especially in foreign trade. The structure of the world economy—if the socialist countries were left aside—was still based on the system of the international division of labour which had come into force during the colonial era. It was obvious that that system no longer corresponded to the requirements of the modern world economy. Restrictive economic groupings, the granting of selective preferences, discriminatory economic measures, reluctance to support industrialization as a means of diversifying the production of the developing countries—all those did not help to change the present structure of the world economy.

3. As against that situation, the socialist countries, thanks to the systematic and constant growth of their economy, had the highest growth rate in the world. In the field of foreign trade, the rate of growth was highest between the socialist and the developing countries, such trade having doubled between 1960 and 1965. In the case of Poland, the share of the developing countries in its trade was 10 per cent for imports and 8 per cent for exports. That trade was not confined to raw materials and semi-finished products; machines

and manufactures were playing a steadily increasing part in it.

4. Trade in its classical form, however, was no longer sufficient. It was essential that broad economic, scientific and technical co-operation should be established. The Polish delegation was glad to note that United Nations bodies were placing greater emphasis on economic planning. In particular, the Committee for Development Planning had done good work in drawing up recommendations for the implementation of economic plans.

5. The Polish delegation thought it essential that the preparations for the second session of the United Nations Conference on Trade and Development (UNCTAD) should follow the general lines of the recommendations and resolutions adopted at the first session.^{1/} Indeed, the provisional agenda for the second session of UNCTAD^{2/} seemed to indicate that that was being done. It was not by chance that many delegations, including the Polish delegation, had suggested that the following problems should be examined at the second session of the Conference to be held in New Delhi: the principles of international trade and of trade policy in favour of development, trade between countries of different economic and social systems, the influence of regional economic groupings upon international trade, problems concerning raw materials, and ways and means of improving the international division of labour. The Committee for Development Planning, while preparing general directives for the second development decade, might draw up a similar general plan for the examination of long-term problems of international trade.

6. The establishment of the United Nations Industrial Development Organization (UNIDO) was an important achievement. Industrialization was playing an increasingly important part in the economy and it was desirable that the new Organization should get to work without delay. It should concentrate above all on problems that necessitated international co-operation. UNIDO should direct its aid to the public sector and, within that sector, to industries calculated to ensure the best use of national productive resources, in order to promote economic development. The countries which had recently passed through a period of rapid industrialization—and Poland was one of them—could give the developing countries valuable assistance.

7. With regard to the question of financing the economic development of the developing countries, the Polish delegation had been interested to see the report

^{1/} See *Proceedings of the United Nations Conference on Trade and Development*, vol. 1, *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

^{2/} Document TD/B/INF.10.

of the Secretary-General entitled "The outflow of capital from the developing countries" (E/4374 and Add.1), which provided a great deal of useful data. It showed, for example, that during 1965 alone the outflow of capital from the developing countries to the highly developed Western countries had reached the alarming figure of approximately \$7,500 million. That figure showed how high a price the developing countries had to pay for capital inflow. He hoped that that report would be followed by other studies covering all aspects of the outflow of capital.

8. The financing of the economic development of developing countries through aid and trade was often nullified by unfavourable terms of trade. The decrease in export earnings increased the burden of debt of those countries. In order to remedy that situation, the various forms of economic and political exploitation of the developing countries should be abolished. There again, the extension of international co-operation should play an important role.

9. Unfortunately, the political situation brought about by the United States aggression in Viet-Nam and, recently, Israel's aggression against the Arab States was having an adverse effect on international economic co-operation. The Polish delegation firmly supported the demands of the Arab States that all the consequences of Israel's aggression, including those in the economic sphere, should be wiped out.

10. Mr. PEAL (Liberia) said that the Second Committee could do much to ensure that the final quarter of the United Nations Development Decade would be less disappointing than the beginning had been.

11. While the main concern of the United Nations was the preservation of peace, it should also do all in its power to ensure living conditions that would enable mankind to enjoy that peace. The catastrophe that lay in store for the world if it failed to solve the problems of hunger, poverty and disease could assume such terrifying proportions as staggered the imagination. That gloomy prospect alone should force the Committee to keep its work in the proper perspective.

12. It was not surprising that the gap between the developed and the developing countries was widening, considering the downward trend in commodity prices, the main source of foreign exchange earnings for the developing countries, as against the upward spiral of prices of the manufactured goods that they needed so badly. Many countries, including Liberia, had been obliged to impose strict financial measures in order to cope with their budgetary and balance-of-payments problems.

13. It was encouraging that, at the joint meeting of the Board of Governors of the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund, which was held at Rio de Janeiro in September 1967, one obstacle at least had been removed from the path of development, namely, the drying up of the world pool of monetary reserves. While there was reason to regret that it had taken so long to reach agreement on the machinery for the creation of special drawing rights, it was nevertheless the first forward step that had been taken since the conclusion of the Bretton Woods Agreements. The

joint meeting had also given the President of IBRD the opportunity to stress once again the need for the developed countries to take the necessary political decisions in order to draw up a common plan for a rational approach to the granting of aid to the developing countries.

14. There had been some criticism of the proliferation of United Nations bodies dealing with economic problems; no effective work could be performed, however, unless adequate means were provided. Moreover, the initial enthusiasm of the developing countries and the scepticism of some of the developed countries with regard to the activities of those bodies were slowly merging into a positive effort towards constructive discussion and the working out of agreed programmes of action. His delegation attached the greatest importance to the activities of UNCTAD, UNIDO, the United Nations Capital Development Fund and the technical assistance programme. It was also in favour of greater regional co-operation and diversification. It must be realized, however, that the extent of the success to be achieved in those fields, as in others, depended directly on the goodwill of the developed countries.

15. Mr. SADI (Jordan) stated that his delegation had always questioned the usefulness of general debates and accordingly would confine itself to separate statements on the various items on the Committee's agenda. However, at the present stage he wished to describe the situation in his country as a consequence of the occupation of the west bank of the Jordan River by Israel's armed forces. The economies of the two banks of the Jordan were indivisibly integrated, a situation at which Jordan had aimed in planning and establishing a modern economic system. The occupation of one part of the country would mean the paralysis of the whole and could only bring about a decrease in its growth rate, which until recently had been outstanding for a developing country. Since the west bank of the river was the most fertile area of the country, the occupation had shattered a corner-stone of the economy. That region, moreover, with its historical shrines and monuments, had been a major source of hard currency. Aside from the purely economic consequences, one must not forget the losses of life and property which his country had sustained.

16. He therefore supported the proposal of the representative of the Sudan (1109th meeting) calling on the United Nations and its specialized agencies to give urgent consideration, as a matter of priority, to the economic needs of the Arab countries that had suffered death and destruction.

17. Mr. CHTOUROU (Tunisia) observed that the imbalance between the wealthy and the developing nations increased from one year to the next and that it was in danger of becoming irremediable. Studies and analyses accumulated, and all recommended the same solutions; appeals to solidarity were to be heard on all sides, but the ominous situation was growing worse.

18. The United Nations Development Decade was drawing to a close and everyone was obliged to note that the minimum targets set for it could not be reached in 1970. The Under-Secretary for Economic and Social Affairs had expressed concern in his state-

ment (1109th meeting) over the slackening in the expansion of the Western countries. Over-all production in market-economy countries had increased by 5 per cent between 1965 and 1966, while the general growth rate of the developing countries had again decreased. Expansion in the developed countries did not appear to have acted as a stimulus to the economies of the developing nations, nor had the latter enjoyed more favourable terms of trade or a greater flow of international assistance. However, they had endeavoured to introduce structural reforms in their countries which would promote smoother development and enhance their capacity to absorb foreign aid. They had spared no effort, as could be seen from the fact that while the Special Fund component of the United Nations Development Programme (UNDP) had allocated a total of some \$49 million for their programmes, the recipient countries had appropriated \$80 million of their own funds. That was certainly an encouraging example of the stimulating role international aid could play. But such aid was small compared with the needs, and it was still very expensive, particularly when used for infra-structural investments which yielded profits only on a long-term basis but were necessary to improve the capacity to absorb foreign aid. A substantial amount of such aid was likely to be absorbed by the increasingly heavy burden of foreign debt servicing.

19. The establishment of the United Nations Capital Development Fund (General Assembly resolution 2186 (XXI)), was to be welcomed. Despite the hesitations which had prevailed when it was set up, it was to be hoped that the wealthy nations would promise enough funds at the first pledging conference to set the organization on its feet. The Fund's work would complement the pre-investment activities of UNDP, whose accomplishments he wished to stress.

20. There was reason to be satisfied with the organs set up under UNCTAD which, as the Secretary-General had said in the introduction to his annual report (A/6701/Add.1, para. 70), were fully playing their part as the machinery for working out an integrated trade and development policy. If the working-out period seemed unusually long, the cause should be sought in the complexity of the undertaking. The second session of the Conference to be held in New Delhi would no doubt enable UNCTAD to begin the operational phase of its activity.

21. The establishment of UNIDO had been one of the great events of the twenty-first session of the General Assembly. Tunisia attached great importance to the new Organization, which should enable the developing countries, through the establishment of a modern industrial sector, to avoid economic stagnation, to develop their resources of raw materials, to correct their unfavourable balance of trade and to modernize agriculture by producing the equipment and fertilizer which they lacked.

22. While it was important in view of the immense task facing the international community to avoid certain attitudes which might lead to a general free-for-all, it could be considered a healthy attitude to regard failures in co-operation as so many opportunities for future success, if the initial estimates had been exaggerated and it had not been possible to attain the goals set despite a political willingness to do so.

23. The experience which the United Nations had gained and the acute awareness of the urgency of the problems should permit the Committee for Development Planning to draw up in good time a programme for the second development decade. Essential in that regard were the commitments which nations must make to each other. It was important that on the pretext of wishing to bring them down to an allegedly more realistic level, those commitments should not be reduced to such a degree that co-operation lost its forward impetus and was condemned to a fatal immobility.

24. The entire co-operation effort should be able to proceed in an atmosphere of world peace and security. The developing countries should not have to devote a large measure of their resources to arms purchases in order to defend themselves against expansionist régimes, as was the case for the Arab countries in the Middle East and for various African countries which were victims of aggression by colonialist Powers. That aspect of the situation was dependent on the improvement that must take place in the relations among great Powers, which often appeared to determine the objectives of their aid—particularly bilateral aid—from the standpoint of their general policy of striving for spheres of influence, rather than from the standpoint of international co-operation.

25. Mr. CUMES (Australia) said that one of the most striking features of the present situation was the growing division of the world into two economic groups. One of those groups, which consisted mostly of the developed countries, was becoming less and less dependent for its well-being on the rest of the world economy. It would be unfair to allege that the countries of that group were preoccupied only with their own economic concerns; for in 1966 they had given more than \$10,000 million in aid to the developing countries. But, however remarkable that achievement might be, it was merely a symptom of a deeper malaise: of an emergency created through the failure of normal economic relationships. The causes of that situation were not in themselves negative. There was no question of abandoning modern policies of economic stability and growth—even though some features of those policies tended to intensify the division of the world—and reverting to the misery and instability of the thirties. However, despite their striking success, those policies had created some real problems and their benefits had not been evenly distributed. The very success of those policies in the developed countries had concentrated their economic interest at home. The highly developed modern economies no longer depended, to any significant degree, on small markets in the "peripheral countries". Their rate of growth was mostly very high. Some had even achieved advances of 8 or 10 per cent in a single year and some observers predicted that in 1968 the growth in the United States gross national product would be greater than the gross national product of such a large and populous country as India. The same was true of trade. The annual increase in exports from a developed country to some of its highly industrialized trading partners was sometimes higher than the total volume of its exports to the developing countries. The implications of those factors were serious. The Kennedy Round of

negotiations had been mainly concerned with the products of the developed countries, that is, their manufactured products. The possession of raw materials had not prevented a loss of negotiating power on the part of the developing countries, whose share of world exports had fallen from 37 per cent in 1953 to 22 per cent in 1960 and to 19 per cent in 1966. However, if trade with the "peripheral countries" offered only limited benefits to the "big countries", other forms of economic relations might offer no advantages at all.

26. United Nations studies on the flow of international capital had brought to light some disturbing facts. For example, it seemed that the favourable balance of payments of the developed countries and their high rate of growth were most easily maintained, over a long period, if there was no net outflow of capital. If the outflow of capital became too great, even those countries with such strong economies as the United States and the United Kingdom might be compelled to impose restraints. Two-way capital flows among the developed countries might be sustained provided that there was a reasonable balance between inward and outward capital movements. But it was much more difficult, over the long term, to maintain the capital flow to developing countries at a high level in the face of the imperatives of other policies. The conclusion of an agreement on international liquidity should help to remedy the situation. Of course, the division of the world economy might prove to be a temporary phenomenon. If growth rates began to slacken in the developed countries, a new trading pattern might emerge that would strengthen the negotiating position of the developing countries.

27. For its part, the Australian Government had introduced and subsequently extended a system of preferences for the exports of developing countries. Without wishing to exaggerate the importance of that initiative, Australia did think that it indicated a course which the organization might follow in the future. The Australian budget for 1967-1968 would provide for further substantial increases in aid to developing countries, including the Territories of Papua and New Guinea. The aid for 1967-1968 would total \$158 million as compared with \$139 million in 1966-1967, and represented more than 0.7 per cent of Australia's national income. Furthermore, Australia's contribution to UNDP would be increased to \$1,451,000. The Australian delegation believed that those funds should not be dissipated in the creation of new and expensive administrative machinery. That was why it had been unable to support the establishment of the United Nations Capital Development Fund.

28. Australia was pleased with the progress that had been made in the field of food aid. It was necessary to create incentives for increases in food production, especially in areas where production costs were low. There was sometimes a conflict between the creation of such incentives and the provision of low-price food to consumers. There was a further conflict between the need to provide food aid to the poorer countries and the need to improve the terms of trade of primary exporters. It was to problems of that sort that the international community still needed to address itself.

The meeting rose at 4.40 p.m.