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*Chairman:* Mr. Jorge Pablo FERNANDINI  
(Peru).

GENERAL STATEMENTS (continued)

1. Mr. HARKETT (Morocco) said that, in the case of the Arab countries, the problem of under-development had been further complicated recently by the Zionist aggression against Jordan, Syria and the United Arab Republic, which had come at a time when the Arab leaders had been making praiseworthy efforts to develop the economy of their respective countries.

2. Everyone now agreed that it was imperative for the under-developed countries to begin their economic "take-off". That was why the United Nations Development Decade had been proclaimed by the General Assembly, which had set a minimum annual growth rate of 5 per cent as the goal to be achieved by those countries. How much progress had been made towards that goal now that the Decade was approaching its end? The representative of the International Bank for Reconstruction and Development (IBRD) had stated at the forty-third session of the Economic and Social Council that the average annual growth rate of the developing countries had been only 2.3 per cent. At the same time, there had been an annual increase of 3.5 per cent in the population of those countries, which had reduced their per capita food production by about one half. In spite of that partial setback, his delegation agreed with the view expressed by the Secretary-General in the introduction to his annual report on the work of the Organization (A/6701/Add.1) that the world community might have some basis for optimism as a result of certain recent advances and certain new vistas which were opening up. The present Decade represented, for both the developed and the developing countries, a valuable experience and opportunity for gaining self-awareness. As the Secretary-General had pointed out, it was a necessary preliminary step leading to the adoption and implementation of more permanent measures in the years to come.

3. The Committee for Development Planning had already begun to prepare guide-lines and recommendations for the next decade, and there was talk, in that connexion, of drawing up a charter for the second development decade. His delegation fully supported the idea of drafting such a charter, which should, in its opinion, take account of the heterogeneity of the international community and of the varied nature of

its economic and political systems. It must also be borne in mind that, however perfect a text might be from a technical standpoint, it had value only to the extent that the States for which it was intended placed their faith in it. While the more privileged countries were unquestionably aware of the primary role which they could and must play in the world-wide struggle against under-development, they must also recognize that whatever aid they provided to the developing countries did not come under the heading of charity, since, in the final analysis, it served their own interests and contributed to the advancement of mankind. The developing countries, for their part, must learn to rely mainly on themselves and, while at the same time respecting their traditions, get rid of their outmoded institutions and adapt themselves to the modern world. They must avoid certain errors, such as prestige expenditure, which often proved ruinous, and excessive arms spending, which forced other developing countries to do the same for the sake of their security.

4. The need for planning, particularly for the new developing economies, no longer required proof. Emphasis should be placed on the spirit of realism which must at all times underlie the preparation and implementation of the plans, for it was ultimately clear-thinking realism which would ensure success. Morocco had already drafted three plans, the third of which, the three-year plan for the period 1965-1967, was now being carried out. In the light of the experience gained from the previous plans, more modest but, at the same time, more realistic targets had been set for the current plan. Three priorities had been established on the basis of the actual conditions prevailing in the country: first, agriculture, which affected nearly 70 per cent of the population and whose development was essential in order to cope with population growth, create surpluses for export and expand the domestic market; second, tourism, which was a factor in economic development and a source of foreign exchange; third, the training of personnel in order to relieve the shortage of human resources. Although it was still too early to draw up a balance-sheet for the three-year plan, it already appeared that the anticipated results would not be fully achieved. That fact could be attributed partly to current economic conditions and partly to structural factors. After taking stock of the difficulties, however, the Moroccan Government had undertaken corrective action. While intensifying its training programme, it had at the same time recruited qualified foreign personnel both through bilateral arrangements and through the United Nations. More effective administrative machinery had been established in the field of agriculture.

5. The plan for 1968-1970 was to be as realistic as the preceding one and also more coherent; new priorities were to be added to those established in the current plan, namely social measures (family planning, action to halt the migration from rural areas, the creation of new jobs, urban development, etc.), selective industrial development and a policy based on domestic economy measures and foreign aid.

6. Turning to the problems of multilateral food aid, he paid a tribute to the work done in that field by the United Nations and, in particular, by FAO and the World Food Programme. Yet, extensive though those programmes were, it must always be borne in mind that they were of a provisional nature; the primary need was to expand and improve agricultural production, particularly the production of grain crops, in the developing countries. The present difficult situation, which forced millions of human beings to beg for their bread from foreigners, was itself only one of the more distressing consequences of the profound imbalance prevailing in world trade. Although the developing countries continued to call for an equitable system of trade, all plans for organizing agricultural markets on a world-wide basis had been rejected in the Kennedy Round of negotiations. While it was true that the developing countries found it difficult to adapt to the market economy, it must also be said that the developed countries were still unable to adapt very well to a system of world trade based on genuine co-operation between equals.

*Mr. Chadha (India), Rapporteur, took the Chair.*

7. Mr. MARDOVICH (Byelorussian Soviet Socialist Republic) said that the intensification of the war in Viet-Nam and Israel's aggression against the Arab States had had a disastrous effect on the world economic situation. His delegation took the position that Israel must evacuate the occupied Arab territories and pay compensation to the victims of aggression. The socialist States, for their part, had taken concrete action to help the Arab States to overcome their present difficulties, and consideration should be given to means of putting United Nations funds to better use for that purpose. In general, the military operations conducted by the United States and Israel as well as the increasing militarization of the economies of the Western Powers were forcing many States to increase their military spending and were hampering the struggle against hunger, disease and illiteracy.

8. The economic situation in most of the developing countries was still difficult. Although their industrial and agricultural production had, on the average, increased at a slightly more rapid rate than that of the developed capitalist countries during the period 1957-1965, their per capita rate of production growth had fallen even farther behind. The balance-sheet for 1966 gave little cause for optimism. Part Two of the World Economic Survey, 1966<sup>1/</sup> indicated that the economic growth rate of the developing countries as a group had dropped again in 1966. Those countries' difficult economic situation was largely attributable to the manifestations of colonialism and neo-colonialism

(the artificial reduction of commodity prices, the systematic expatriation of the profits earned by foreign companies, interference in the internal affairs of countries, one-sided agreements, etc.).

9. In that connexion, he drew attention to the statement made by the head of the Byelorussian delegation, at the 1581st plenary meeting of the General Assembly held on 5 October 1967, in the course of which he had made a proposal calling for recognition of the right of countries which had attained their political independence to reparations from the former metropolitan countries for the damage their economies had suffered during the period of colonial rule, and of the fact that treaties, agreements or obligations foisted upon them before independence, or after independence through military, political or economic pressure, should be reviewed or abrogated by the developing countries if they were incompatible with those countries' sovereignty. In his delegation's view, the time had come to proclaim, as a rule of international economic relations, that exploitation of the developing countries was incompatible with the principles of the Charter of the United Nations. His delegation therefore supported the USSR proposal (1113th meeting) calling for the adoption of an appropriate international instrument to protect the economic interests of the developing countries.

10. Although the activities of the United Nations Development Programme (UNDP) had had some favourable results, it did not appear that the Programme was, on the whole, helping significantly to solve the vital problems of the developing countries. The Programme should take account of the priority role played by industry, whose development was a prerequisite for the expansion of all backward sectors of the economy, including agriculture. It was also essential to put an end to the discriminatory practice of rejecting the services of experts from certain countries, in particular, the Byelorussian Soviet Socialist Republic, and of refusing to permit such highly developed countries as the German Democratic Republic to make a contribution. The reason for the inadequacy of UNDP's activities was that it confined itself to pre-investment studies and infra-structure projects which, instead of decisively affecting the economic development of the countries concerned, actually cleared the way for Western private capital. The Programme could and must immediately set about the task of directly financing industrial development.

11. The world trade situation was still abnormal in many respects. The decisions and recommendations of the first session of the United Nations Conference on Trade and Development (UNCTAD)<sup>2/</sup> were not universally applied. His delegation believed that the normalization of international trade should proceed on the basis of the principles adopted by the Conference at its first session. Applying those principles, the socialist countries had nearly doubled their trade with the developing countries between 1960 and 1965. At the present time, the industries of Minsk alone were exporting their manufactures to fifty-two coun-

<sup>1/</sup> Current Economic Developments (United Nations publication, Sales No.: 67.II.C.1) (E/4396/Rev.1).

<sup>2/</sup> See Proceedings of the United Nations Conference on Trade and Development, vol. I, Final Act and Report (United Nations publication, Sales No.: 64.II.B.11).

tries, forty-six of which were developing countries. Machinery and equipment constituted over 70 per cent of current Byelorussian exports. His country's experience demonstrated that the free development of trade based on mutual interests made it possible to put production capacities to better use, to reduce unemployment and to limit the influence of the other negative factors inherent in the economics of capitalism. The aid provided by the socialist countries was primarily designed to establish and strengthen the public sector of national economies so that available resources could be more effectively mobilized and an economy built up which could stand up to foreign companies.

12. The Secretary-General's progress report on foreign financing (E/4374) did not provide a correct picture of the magnitude and pace of capital outflows from the developing countries, and pointed out that the experts had not yet been able to agree on the ways and means of slowing down and stemming those outflows. He hoped that the United Nations would inquire more thoroughly into the nature, causes and consequences of capital outflows from developing countries.

13. The World Economic Survey, 1966 did not supply any data on the Byelorussian Soviet Socialist Republic and his delegation wished to rectify that omission. In 1917, Byelorussia had been a backward agricultural region on the outskirts of Czarist Russia. Less than 3 per cent of the population had been employed in industry. Unemployment and poverty had forced hundreds of thousands of Byelorussians to emigrate. In one generation, the October Revolution had made it possible to bring the backwardness of centuries to an end and to set up a vast range of new industries. The constructive labours of the Byelorussian people had been interrupted by the fascist aggression. The Hitlerites had exterminated 25 per cent of the Republic's population and had wrought destruction estimated at 7,500 million roubles. After the war, industrial reconstruction had been accompanied by the introduction of new, more sophisticated sectors. The Byelorussian SSR currently produced more in less than one week than it had produced in one year before the Revolution. When analysing those accomplishments, it was important to remember that eighteen years of the half-century devoted to the building of socialism had been spent in repelling aggression and eliminating its economic consequences. If that factor was taken into account, the volume of industrial production in 1965 could be said to be fifty-six times greater than in 1913, 258 times greater than in 1920 seven times greater than in 1940 and thirty-five times greater than in 1945.

14. Byelorussia, which had had an illiteracy rate of 80 per cent before the Revolution, now boasted an Academy of Sciences, fifty-seven research institutes and twenty-nine establishments of higher learning where over 16,000 research workers were employed.

15. During the current five-year period 1966-1970, gross industrial output would increase by about 70 per cent, and the average annual growth rate would be 11.7 per cent. The generation of electric power would be doubled and the chemical industry's gross output would expand sixfold.

16. In conclusion, he hoped the Committee would adopt decisions that would facilitate economic co-operation and strengthen international economic relations.

*Mr. Attiga (Libya), Vice-Chairman, took the Chair.*

17. Mr. ALI (Malaysia) stated that, while the production of the industrialized countries in 1966 had increased by 5 per cent in the West and 7 per cent in the countries with centrally planned economies, the rate of growth in the rest of the world had declined from 4 per cent in 1965 to 3 per cent in 1966. In South-East Asia, the situation as a whole was much worse, as the growth rate for the region in 1965 had been as low as 1.9 per cent. The same alarming trend was apparent in food production: during the period 1965-1966, the output for the region as a whole had dropped by 5 per cent and the level had been 3 per cent below the pre-war average.

18. It was often said that the ultimate responsibility for development lay with the developing countries themselves. Nevertheless, those countries could certainly not manage without the co-operation and assistance of the industrialized countries. Such was the case, for example, with regard to trade. There was absolutely no doubt that the current prices for primary commodities could not be considered fair or adequate. Malaysia had every reason to know that, since the price of natural rubber, its main export, had declined to as low as \$0.15 per pound, which had been the price eighteen years before. Had the price of rubber kept pace with that of manufactured goods, the situation would have been quite different. If, for example, the prices prevailing in 1960 had been maintained thereafter, at the same level, Malaysia would have reaped an additional amount of about \$1,807 million in foreign exchange during the past seven years, i.e., approximately 57 per cent of its estimated gross national product for 1967, or more than seventeen times the amount of net loans received by the public sector between 1961 and 1966. Had his country been able to benefit from that currency influx, it would no longer need any aid from anyone and would even be in a position to assist other developing countries.

19. Economic diversification through gradual industrialization implied the need to obtain the financing required for capital equipment. But industrialization, for its part, could not come about without an international market, and foreign markets unfortunately were heavily protected by tariffs and quotas. In the face of those protective measures, it could well be asked whether the developed countries really wished to see the industrialization efforts of the developing countries succeed. In addition to those difficulties, the developing countries were also confronted with excessive tariffs fixed arbitrarily by the shipping cartels.

20. Foreign aid was indispensable to the developing countries; yet the terms under which the developed countries granted them that aid were hardly satisfactory. Such assistance could be particularly effective when it enabled countries at a certain stage of development to pursue their economic expansion on their own. Unfortunately, it could be observed at the

present time, as the United Nations Development Decade was nearing its end, that the net flow of resources to developing countries had declined, and that it was becoming increasingly difficult for those countries to obtain loans, the repayment of which imposed a heavy burden on their exchange reserves.

21. Because human resources were nearly all that the developing countries had in abundant supply, the importance of education and professional training could not be over-emphasized. The amount of funds invested to that end was nevertheless inadequate to counterbalance the rate of population growth.

22. The real question was whether there existed a genuine will to change the situation of the developing countries. At present, that did not appear to be the case, except for a very few of the developed countries. He felt that the time had come for the developing countries to act on their own to help each other.

*Mr. Fernandini (Peru) resumed the Chair.*

23. Mr. TINOCO (Costa Rica) noted that during the discussions leading to the adoption of General Assembly resolution 1522 (XV) of 15 December 1960, speakers had stressed the need to raise the annual increase in the net national product of the developing countries to at least 5 per cent per capita and, in order to attain that goal, the concurrent need for the developed countries to allocate 1 per cent of their annual gross national product for investment in developing countries. Seven years had passed since that resolution had been adopted. The United Nations Development Decade was entering its final stage. It had to be admitted that the results obtained were disappointing, particularly for the countries of Africa, Asia and Latin America. The situation was even worse in the Middle East where the growth rate per capita of the gross national product was lower than it had been during the preceding decade.

24. Notwithstanding those results, it would be wrong to sink into a defeatist attitude, for the issue at stake was the fate of 1,500 million human beings, about which the United Nations could not help but be concerned. It had to be remembered, furthermore, that the population of the developing countries constituted a mass of consumers of ever-growing importance, for in 1966 it had absorbed exported goods from the industrialized countries to the value of \$39,600 million, as against a figure of \$29,700 million in 1960. An improvement in its economic situation was automatically reflected in increased sales by the industrialized countries; a worsening of that situation, conversely, by a reduction in the exports of those countries. It was in the interest of all countries, therefore, that the trend of the last few years should be reversed, and that the rate of economic growth of the developing world should be intensified.

25. The first essential, of course, was to try to elucidate the cause responsible for the deterioration of the economic situation in the developing countries despite the assistance they were being given. The first of those causes was undoubtedly the worsening of the terms of trade as between the primary products of the developing countries and the industrial products of the developed countries. The terms of trade had already been inequitable during the years 1955-1957,

the period adopted in the report<sup>3/</sup> as a basis (index 100) for studying the trend of prices of the two categories of products in question. Yet, during the United Nations Development Decade, the index figure for the manufactured goods of the developed countries had risen to 108, whereas that for the primary products of the developing countries had dropped to 89.5. That deterioration had entailed a financial loss to the developing countries of more than \$8,000 million in 1966; which was tantamount to saying, in human terms, that, at present, it took the work of 120 men in those countries to acquire the manufactured goods of the industrialized countries which they had been able to obtain seven years previously with the work of 100 men. During those recent years, the developing countries' over-all trade deficit had reached an annual figure of about \$5,500 million. It was not surprising, therefore, that the total indebtedness of those countries had amounted to \$35,000 million at the beginning of 1966.

26. That was the main reason why the United Nations had not achieved the success anticipated in connexion with the Decade. Hence, the primary question was to ensure that the prices of the goods produced respectively by the developing countries and the developed countries followed parallel curves once the excessive divergences between them had been corrected.

27. The Secretary-General in the introduction to his annual report (A/6701/Add.1) and the President of the Economic and Social Council in his introduction to the report of the Council (A/6703) had cited another cause of the precarious position of the developing countries: the scantiness of available resources as compared with the gigantic needs. There was no denying the fact that the developed countries had not devoted 1 per cent of their gross national product to investments in the developing regions. It was noteworthy, however, that France was the country which continued to allocate the largest proportion of resources to development programmes, especially in respect of its former colonies in Africa and Asia; that Japan had recently undertaken to earmark 1 per cent of its gross national product to the development of the countries of Asia; and that as far as assistance was concerned, Kuwait had in principle set itself the goal of devoting \$560 million every year to the economic advancement of the Arab States.

28. Among the causes which had led to the relative failure of the development programmes, mention should also be made of the burden constituted by payment of interest and amortization of loans. Some of the developing countries were devoting up to 20 per cent of their income in foreign currency derived from their exports to servicing their foreign debts. In 1966, the amounts paid in respect of public foreign debt servicing by ninety-five developing countries had amounted to nearly \$4,000 million, of which \$2,800 million was for amortization and \$1,200 million for interest. Between 1962 and 1966, the amounts paid in respect of amortization and interest increased by 10 per cent a year, or a far more

<sup>3/</sup> See International Bank for Reconstruction and Development and International Development Association, *Annual Report, 1966-1967* (Washington, D.C.), transmitted to the Economic and Social Council by a note by the Secretary-General (E/4431).

rapid increase than that of exports of goods and services by the development countries in the aggregate.

29. Those were alarming figures, and it would perhaps be advisable to create juridical instruments which would enable a company established under international law, for example—by accepting long-term bonds as a counterpart—to assume the task of servicing the foreign debts of the developing countries until such time as the projects undertaken by those countries with the loan capital received were executed and began to be reflected in positive results. The developing countries would in that way be able to embark on the execution of their development programmes under conditions of greater security.

30. Mr. NYEMBWE (Democratic Republic of the Congo) pointed out that by reason of the outmoded structure of their economies, the developing countries were unable to derive full benefit from world trade, and that concerted international action alone could help them to escape from that situation. The first session of UNCTAD had had the merit of identifying the problems and pinpointing solutions not all of which, unfortunately, had succeeded in winning the unanimous support of the members. To improve their position in world trade, the developing countries had to transform their economic structure—a costly operation which they could only finance by their exports. However, the latter were going through a period of stagnation ascribable to competition resulting from technical progress, protectionist escalation and the worsening of the terms of trade. Those countries would therefore need to receive a flow of capital from outside in order to be in a position to restructure their economy. In that connexion, the recent agreement on international liquidity, which should enable the industrialized countries to give increased aid to the developing countries, was a matter for congratulations. Nevertheless, it was desirable that the bulk of that aid should go for economic development and should be channelled multilaterally rather than come within the context of bilateral agreements. It was also essential for the multilateral aid bodies to simplify their procedures, brief the beneficiaries receiving aid on their clauses and conditions for granting it, and enjoy a certain amount of autonomy in administering the funds. They would thereby be enabled to contribute towards economic expansion and the consolidation of the non-alignment policy of certain countries of the Third World, which were all too often compelled to choose between poverty and the alienation of their sovereignty. In addition, it was desirable that the funds should be distributed in accordance with the export capacity and economic potential of the beneficiary countries.

31. The setting up of the United Nations Industrial Development Organization (UNIDO) should contribute towards making financial assistance more effective. Above all, that new body should assist the developing countries in formulating industrial development programmes and preparing specific industrial projects. The truth of the matter was that while most of the countries of the Third World had planners capable of analysing the general economic situation and working out the lines along which the economy should be developed, they were insufficiently endowed with

experts capable of identifying and framing the necessary industrial projects, so as to have the "objectives-plan" matched by an appropriate "projects-plan". It was in that area that UNIDO's assistance would be valuable. There was one point, however, about which he was somewhat disturbed. If UNIDO established a priority schedule in order to fulfil its mission, it was bound to confine its efforts to the priorities. Since, however, the developing countries were at different stages of industrial development, it was to be feared that UNIDO assistance would benefit only those countries which had reached an industrial development level corresponding with the priorities set. The result would be that the other countries would find themselves deprived of vitally necessary assistance. It would be essential, therefore, for UNIDO to cover all phases of industrialization at both the research and operational activity levels.

32. Financial aid and technical assistance could not by themselves generate continuous economic growth in the developing countries in the absence of a political resolve in those countries to pursue development. The Government of the Democratic Republic of the Congo had recently demonstrated that such was its attitude. With a view to financial reorganization, it had taken steps—and they had been successful—to absorb the budget deficit, which was the main cause of inflation. It had thus reduced the number of provinces of the Congo from twenty-one to eight, with a resultant constriction of administrative expenditure. In addition, the creation of a new national currency should enable the Government to put the currency situation in order and produce a budget surplus which would be invested in the national economy.

33. As part of the resuscitation of agriculture, priority had been given to food production and steps had been taken to readjust the prices paid to producers so as to stimulate production. As to the industrial programme, it was directed towards providing supplies to agriculture so as to set up an integrated economic system. Taken together, all those measures should increase food production, raise the income of the rural population, promote the resumption of investments through the reorganization of the industrial and mining sectors, and ensure the stabilization of public finance.

34. It was regrettable, however, at a time when the Government of the Democratic Republic of the Congo was trying, at the cost of great sacrifices, to create the climate necessary for development, that the order and tranquillity of the country were being disturbed by outside elements.

35. Mr. HASSAN (Somalia) remarked that the gulf between the developing and the developed countries continued to widen and that the present level of aid was too low for even minimal development. The United Nations Development Decade had not reached its targets, more because of lack of solidarity among the rich countries than because of inactivity on the part of the developing countries. Somalia welcomed the recommendation for a second development decade, but the endeavour would not be successful unless the lesson of the failures of the present Decade was taken to heart and the unreserved co-operation of all countries was enlisted.

36. As the Secretary-General had stated in the introduction to his annual report (A/6701/Add.1), the growth rate of the developing countries had decreased, and so had their share in world trade. Moreover, the world food situation was extremely disturbing, since food production had not kept pace with population growth. The United Nations must help the developing countries to take steps to remedy that imbalance.

37. Many hopes had been aroused by the establishment of UNCTAD, but its recommendations had not had the desired effect and the rich countries had unfortunately not been in a position to give financial aid amounting to 1 per cent of their national income to the developing countries. It was to be hoped that the second session of UNCTAD would lead to proposals for practical action.

38. The situation with regard to capital flow and the transfer to technology was equally disappointing. The capital flow had slowed down and the terms had become so stringent that some countries would soon have to borrow in order to be able to service their external debt. The recent establishment of the United Nations Capital Development Fund had been timely, and he hoped that, despite their reluctance, the rich countries would make a point of coming to the next pledging conference and giving generously, so that the new body could have a good start.

39. While he welcomed the agreement on the establishment of new international liquidity entailing special drawing rights within the International Monetary Fund (IMF), he could not help noting that the agreement would be mainly to the advantage of the economically powerful countries and might aggravate the imbalance between the rich and the poor States.

40. The establishment of UNIDO had of course been an achievement for the developing countries and it was to be hoped that after a breaking-in period the new organ would be able to draw up detailed plans to speed their industrialization.

41. Lastly, while the war in the Middle East had mainly affected the Arab countries, it might well have unfortunate consequences for such countries as Somalia, which traded mainly with that region. The United Nations ought therefore to analyse the economic repercussions of the conflict.

42. Mr. METUALLY (Syria) remarked that his country was undergoing a major economic and social transformation following the enactment of socialist legislation. A better distribution of the national income among the different social classes had already been achieved. The level of living of the working masses had improved and large-scale infra-structure projects were being carried out with the co-operation of the socialist and other countries.

43. Syria did not think highly of the "micro-nation" idea and regarded itself as an integral part of the Arab national complex. It had signed the Arab economic union agreement and since 1965 had been a contributor to the creation of an Arab common market. It also enjoyed the benefits of international co-operation and gave preference to co-operation agreements prepared under United Nations auspices. All Syria wanted was peace and economic and social

well-being. Unhappily, it was subjected to military aggression, like other Arab countries, and the occupation of some of those countries' territory was bound to lead to the disruption of economic life and slowing down of development projects. Israel aggression could not but have disastrous effects on the economy of the Middle East and of the entire world. Consequently, the economic situation resulting from that aggression should be thoroughly examined by the United Nations, as the representative of the Sudan had proposed (1109th meeting).

44. The rich countries were rapidly becoming richer, whereas the developing countries, representing nearly three fourths of mankind, progressed only slowly and sporadically. The volume of trade among the developed countries was relatively as large as between those countries and the developing countries, whereas the capital flow was larger among the rich countries. International financial assistance to the developing countries was steadily deteriorating, to such a point that the President of IBRD had actually said that it ran the risk of being absorbed by the repayment of earlier debts. The Secretary-General of UNCTAD, for his part, had not hesitated to describe the United Nations Development Decade as one of frustration and disappointment. Important as they were, the recommendations of the first session of UNCTAD did not go far enough. The second session of UNCTAD should work out a global development strategy covering the improvement of commodity export prospects, the tightening of trade relations and economic integration among under-developed countries and the conclusion of further international commodity agreements. It must also propose the implementation of the study on supplementary financing prepared by IBRD at UNCTAD's request.<sup>4/</sup> Lastly, it would have to examine the obstacles to capital flow from the developed to the developing countries and questions relating to territorial integration, the regionalization of international economy and the grouping of countries in economic blocs.

45. The United Nations Industrial Development Organization, for its part, must discharge its functions by giving priority attention to the pressing needs of the developing countries with a view to accelerating their industrial expansion. He also urged that a definite decision should be taken at the present session on the United Nations Capital Development Fund.

46. Despite recessionary trends, the current year had been marked by two major successes of international co-operation: the Kennedy Round and the agreement on the creation of new international liquidity. While those two events were a step forward, they were mainly to the advantage and in the interests of the industrialized countries. Thus, in connexion with the Kennedy Round, the developing countries had submitted a list of export products of interest to them, but the partial application or non-application of tariff reductions to those products had done nothing to solve the trade problems of the Third World. Perhaps

<sup>4/</sup> Supplementary Financial Measures—a study requested by the United Nations Conference on Trade and Development, 1964 (International Bank for Reconstruction and Development, Washington, D.C., December, 1965).



the results of the Kennedy Round negotiations should be examined by UNCTAD, at its second session.

47. In the spirit of the Bretton Woods Agreements, the international monetary system should have rested mainly on the stability of each country's monetary unit, free convertibility and international financial solidarity. That decision had represented a triumph of the point of view of the United States. After a number of political and economic problems had arisen, such as the economic development of the countries of western Europe, the growth of the developing countries, trade with the socialist countries and the stability of the balance of payments of reserve currency countries, a new monetary agreement had been reached creating new liquidity with special drawing rights within IMF. Having been associated with that agreement as a result of UNCTAD's recommendations, the developing countries were to enjoy the new drawing rights, 70 per cent of which could be regarded as perpetually renewable credit and which, by increasing the world reserve, would favour the imports of primary commodities. Nevertheless, the agreement was primarily a compromise among the rich countries, for which eight tenths of the new liquidity was reserved. He felt that the agreement should be examined by UNCTAD at its second session in the light of the report of the UNCTAD Group of Experts on International Monetary Issues,<sup>5/</sup> the need to stabilize commodity prices as an integral part of the reform, the project to relate means of payment to means of financing and the possibility of regrouping the developing countries within IMF.

48. Patterns of consumption were readily transferred from the developed to the developing countries; but that was not true of the methods of production. In that connexion, investment in science deserved very special attention. Lastly, part of the military expenditure of the industrialized countries should be used for development financing.

49. Mr. SKATARETIKO (Yugoslavia) said that solution of the development problems was a precondition

<sup>5/</sup> International Monetary Issues and the Developing Countries; report of the Group of Experts (United Nations publication, Sales No.: 66.II.D.2).

for the securing of the political independence and sovereignty of all States. Unfortunately, the crisis of economic development was becoming further aggravated, while the relative position of the developing countries in the world economy and in international trade was deteriorating. Daring action and radical measures were needed in order to institute equitable international relations.

50. The losses suffered by the Arab countries as a result of the recent war in the Middle East and the occupation of parts of their territory would, beyond any doubt, adversely affect the economic development of those countries and world economy as a whole. His delegation was in full agreement with those delegations which were calling upon the United Nations system of organizations to give priority to the requests for assistance of the victims of aggression. Yugoslavia had taken part in the meeting of the socialist countries held at Belgrade from 4 to 6 September, at which measures had been considered for intensifying economic co-operation between the socialist and the Arab countries. So far, Yugoslavia had given Jordan, Syria and the United Arab Republic aid valued at 80 million new dinars. That aid was being continued.

51. He recalled that the establishment of the United Nations Capital Development Fund had been intended to add a new dimension to the existing financial system. The Fund was primarily intended to promote the diversification of economies of the developing countries, with particular emphasis on industrial development. It would also encourage the transfer of international financial resources without any political conditions. The establishment of the Fund had been fully justified by the harsh realities of the past seventeen years. It now remained to ensure that the Fund would effectively serve the purposes for which it was intended and would fill the gap in those areas of development financing which were not fully covered by the existing international financial institutions.

*The meeting rose at 5.50 p.m.*

