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CONTENTS

Chairman: Mr. Moraiwid M. TELL (Jordan).

GENERAL STATEMENTS (continued)

1. Mr. KHAN (Pakistan) said that the results achieved through international co-operation in accelerating the economic development of the developing countries were acutely disappointing. The Economic and Social Council, in its resolution 1089 (XXXIX), and the General Assembly in its resolution 2084 (XX), had drawn attention to the gap between objectives and achievements at the mid-point of the United Nations Development Decade. Meanwhile, the flow of international assistance had, somewhat paradoxically, lost its momentum.

2. According to part I of the World Economic Survey, 1965,[1] if allowance were made for reverse flows of capital and for the fact that a large proportion of receipts consisted of transfers in kind or of re-invested profits earned in the developing countries themselves, it was evident that the amount of new, external, disposable purchasing power being made available to the developing countries had declined to a very low level. In consequence, the rate of gross capital formation in the developing countries had fallen short of the objectives set for the Development Decade. Apart from a few notable exceptions, development aid was still far below the target figure of 1 per cent of the national income of the industrial countries, although the combined gross national product of those capital-exporting countries with market economies had increased from $985,000 million in 1961 to $1,300,000 million in 1965. On the contrary, the ratio of resource transfers to the developing countries to gross output in the capital-exporting countries had actually declined from 0.84 per cent in 1961 to 0.65 per cent in 1964.

3. At the Economic and Social Council's forty-first session, the Administrator of the United Nations Development Programme had pointed out that the net flow of capital to the developing countries in 1965 had amounted to barely $6,000 million, while $14,000 million would be needed by 1970. If that trend were to be reversed, there would have to be a marked change of outlook on the part of the donor countries; and that in turn required a free and frank exchange of views and a co-operative effort by both groups of countries. It should be realized that development finance was not something which could be turned on and off at will. Continuity and confidence were required, if development planning was to be effective.

4. The current crisis was reflected not only in the volume of aid but also in the terms on which aid was provided. The amount of money needed to service foreign debts had risen from $800 million in 1956 to $3,500 million in 1964; and the developing countries were at present obliged to devote more than 10 per cent of their foreign exchange earnings to debt servicing. Immediate steps which could be taken to remedy that situation included the establishment of a United Nations capital development fund and a review of policies which adversely affected the foreign exchange earning potential of the developing countries.

5. In the matter of trade, the implementation of the recommendations of the United Nations Conference on Trade and Development (UNCTAD),[2] even of those which had been adopted unanimously, remained as remote as ever. At the same time, while the combined exports and imports of the developed market economies had increased by 9 and 10 per cent in 1964-1965, the export earnings of the developing countries had risen by only 6 per cent and their imports by about 5 per cent during the same period. Furthermore, the terms of trade of the developing countries had remained more or less constant at the level reached in 1963, i.e., below the 1960 average. The second session of UNCTAD should make a realistic assessment of the possibilities of fruitful international co-operation in the future; and, in that context, it should be stressed that the implementation of the recommendations of the first session of the Conference was a prerequisite for the success of the second session. Due credit should be given to the initiatives taken by the socialist countries in expanding trade with the developing countries on a mutually beneficial basis. He also noted with satisfaction that the International Bank for Reconstruction and Development had undertaken a study on supplementary financing and that the International Monetary Fund had decided to extend the scope of its compensatory financing scheme.

6. The renewal of interest in the problem of world liquidity, which was of serious concern to the developing countries, was also gratifying.

7. On the other hand, the failure to conclude international agreements on cocoa and sugar, which would relieve the developing countries from the constant uncertainties of price fluctuations, was extremely discouraging. The industrialized countries seemed to be aiming at greater autarky in the production of primary commodities to the detriment of the tradi-

[1] United Nations publication, Sales No.: 66.II.C.1.

[2] 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).

tional producers. In view of those negative developments, aggravated by the growing burden of foreign debt, it was easy to understand why few of the developing countries had been able to attain the modest target of 5 per cent for their economic growth; the failure of the others was due largely to the insufficiency of the external resources available to them. It was unfortunate that, precisely at the time when decisive efforts were required to accelerate growth rates, the developing countries were faced with the prospect of a reduction in foreign aid, and the export earnings of the countries of the Third World were being threatened by the restrictive trade policies adopted in most of the developed countries.

8. Far from being unrealistic, the objectives of the Development Decade were modest in terms of the developing countries' needs. Even if the target growth rate of 5 per cent were achieved, the gap between the rich and the poor countries would continue to widen. It was sometimes said that the developing countries themselves should do more to foster their own economic development; however, they were fully aware of their responsibilities in that respect.

9. During the 1960's, Pakistan had achieved a compound annual growth rate of 5.2 per cent by increasing its investments from 10.5 per cent of the gross national product in 1959-1960 to 18.5 per cent in 1964-1965. Under its third plan (1965-1970), the annual growth rate was to be as much as 6.5 per cent. Pakistan's development effort had embraced agriculture and industry alike. In the agricultural sector, an important role had been played by land reform. Although a ceiling had been fixed for the total acreage which could be held by a single owner, the reforms had also provided for the consolidation of uneconomic holdings. Measures had been taken to improve agricultural methods by providing easy credit and better seeds, fertilizers and insecticides. The formation of agricultural co-operatives and of tractor and agricultural machinery pools had also been couraged. As a result, the agricultural growth rate during the period 1960-1965 had been 3.5 per cent per annum. Over the same period, the rate of industrial growth had been increased to more than 10 per cent per annum by industrial planning methods which were not based on any rigid doctrine.

10. Pakistan had mutually advantageous trade relations with many countries. It had made particular efforts to develop its trade with countries in the same region including Iran, Turkey, Indonesia, Afghanistan, Burma, Ceylon and Nepal. Its trade with the socialist countries had also expanded considerably during the past few years. It was looking forward with interest to the results of the UNCTAD secretariat studies on the expansion of trade between developing countries, and had recently decided that the annual export target of over $1,000 million originally fixed for 1969-1970 should be achieved during 1966-1967.

11. In conclusion, he said that it was not enough merely to pay lip service to the concept of international economic co-operation: all countries should take practical steps to translate the desired objectives into reality.

12. Mr. SOEHARDIMAN (Indonesia) agreed with the Under-Secretary for Economic and Social Affairs that the world economic situation was very serious. While the economic situation of the developed countries was generally favourable, the growth rate of the developing countries was inadequate, their share in world trade was declining, their foreign currency earnings were almost entirely absorbed by imports, and the flow of development capital was slowing down. Failure to achieve the objectives of the Development Decade was particularly disappointing, at a time when huge sums were being spent on the conquest of outer space, the armaments race and colonial wars.

13. Most of the developing countries were faced with two important tasks which were inseparable from one another—nation-building and economic development. For their economic development programmes, they needed capital, and particularly foreign currency to buy the capital goods that would enable them to increase the output of the raw materials which they exported. The terms on which foreign aid was granted should therefore be regulated in such a way that the servicing of loans did not constitute an excessively heavy burden on their already limited foreign exchange earnings—in other words, loans should be granted for long periods and at low rates of interest. Rigid provisions requiring down-payments for capital goods—provisions, for instance, such as those in the Berne Union understanding—should be adapted to present-day conditions, particularly as there were many other ways of ensuring repayment on business-like terms.

14. It was, furthermore, essential to develop international trade, which constituted the main source of foreign exchange and could, more easily than financial or technical aid, be divorced from the interests pursued by political or social systems. However, the situation was becoming worse with respect to access to markets and commodity prices. In spite of UNCTAD's recommendation A.II.1 on maintaining the status quo in the export trade in commodities, the European Economic Community had extended preferential treatment to certain products of some developing countries, such as vegetable oils. Moreover, by developing production of natural or synthetic products, under the shelter of protectionist policies, the developed countries were helping to weaken the position of the traditional producers. Such was the case, for example, with synthetic rubber, which now supplied more than three fifths of world rubber consumption. Nor had UNCTAD's recommendation on the extension of preferential treatment to the manufactures and semi-manufactures of the developing countries been acted upon, although its practical feasibility had been demonstrated.

15. His delegation sincerely hoped for the establishment of a United Nations capital development fund, as a multilateral source of capital for the developing countries, and it welcomed the recent establishment of the Asian Development Bank and the United Nations Organization for Industrial Development (UNOID). It had, furthermore, listened with great interest to the Philippine representative's suggestions (1025th meeting) for close co-operation among the countries of the region to which the Philippines and Indonesia belonged.

16. Instability of the commodity market was harmful to the economic development of the primary producing countries and might destroy the usefulness of the aid they received from the developed countries. Indonesia, for example, had lost $30 to $40 million in 1965 because of an approximate 15 per cent decline in rubber prices. It sincerely hoped, therefore, that practical measures would be taken between now and the second session of the United Nations Conference on Trade and Development, in order that the Conference might reach an agreement on commodity price stabilization, compensatory financing and the lowering of tariffs in the industrial countries for the semi-manufactures of the developing countries.

17. Indonesia, which had just embarked on a new economic programme for ensuring its political and economic stability as rapidly as possible, was convinced that all the peoples of the world would benefit most from close co-operation between the primary producing countries and the industrialized countries, on the basis of equality and interdependence.

18. Mr. KADLEC (Czechoslovakia) said that the main problem was at present, and would continue to be for a long time ahead, the elimination of the gap between the levels and trends of economic development in the developed countries and those in the developing countries. The complex nature of that problem and its potential influence on the future of development in the world justified his delegation's conviction that, in the search for ways to narrow the gap, it was necessary to lay particular emphasis on long-term factors. The Under-Secretary for Economic and Social Affairs had, moreover, stressed that point in the excellent statement which he made at the 1023rd meeting. While not underestimating the value of short-term measures for solving the present burning problems, he thought it essential to consider the prospects and the complexity of the future, in order to proceed towards a concerted adaptation of national economies to the needs and laws of the international division of labour. The best means of improving the economic situation of the developing countries was a purposeful diversification of their economies, free from any kind of political or economic hegemony. In other words, what was needed was to eliminate the deformation which long-term exploitation by the metropolitan Powers had imposed on their economies and to which neo-colonialism, through the imperialist monopolies, was trying to perpetuate.

19. Such diversification would undoubtedly be a lengthy process and presented vast problems. For industrialization—the main factor—to be effective, not only must the products of the new industries established in the developing countries not have to cope with barriers in the developed countries but the latter must also create new markets for them. Whereas the selfish interests which impeded the development of industries in the developing countries were a typical feature of the market economies, the planned economy system offered possibilities for progressively introducing into the economies concerned—provided the necessary financial resources were available—the changes required by the international division of labour.

20. Within the context of the changes taking place in the management of its national economy, Czechoslovakia would intensify its external economic relations, taking into account the interests of the developing countries. Its imports of manufactures and semi-manufactures from the developing countries, which in 1963 had amounted to less than 1 per cent of its total imports from that source, had amounted to 5.2 per cent in 1964 and 12.6 per cent in 1965. In the first half of 1966, the rate of growth of imports of that group of products had been twice as high as that for the total imports from developing countries.

21. The latter countries could, of course, only diversify their economies if they possessed the necessary financial means. In recent years, they had already made efforts to mobilize their domestic resources and had achieved some positive results. Nevertheless, it was impossible to over-emphasize the part that must be played in the financing of economic development by those who were responsible for the present situation. As had already been pointed out to the Second Committee, the developed countries' repatriation of the profits reaped in the developing countries drained off a large portion of the assistance they provided, even when such assistance was considerable. It was obviously in that area, and with particular reference to profits from direct investments, that savings could be realized which would facilitate the economic progress of the under-developed countries. The draft resolution on permanent sovereignty over natural resources, submitted by Algeria, Poland, the United Arab Republic, the United Republic of Tanzania and Sudan at the twentieth session was, in that connexion, a step in the right direction.

22. Czechoslovakia, which maintained extensive economic relations with the developing countries, supplied them with machinery on credit; moreover, in accordance with the spirit of UNCTAD's recommendation A.IV.3, the overwhelming majority of government credit to developing countries was granted on very favourable terms.

23. It was truly paradoxical that, at a time when means were being sought for intensifying economic development, vast sums were being spent on arms and on the war of aggression in South-East Asia, which was destroying enormous material wealth, not to mention human lives. No one could claim that the war being waged by the United States was facilitating economic development or the solution of the difficult problems which were featured on the Second Committee's agenda. He was mentioning the war in order to stress the indivisibility of two phenomena: economic development and international peace. Economic development was as indivisible as peace, and his delegation wished to emphasize the necessity of adopting a universal approach in considering the questions relating to it, namely, that no one single factor of the world economy, however important it might be, should be given a monopoly of attention and priorities should be established. If all parties concerned were to feel genuinely involved in the international division of labour, it was essential that economic questions should be subjected to a detailed and full evaluation.

24. If normal economic ties were to be established between nations, there must be respect for the funda-

mental principles of international economic relations, such as non-discrimination, the granting of mutual advantages and respect for national sovereignty. Unfortunately, Czechoslovakia continued to be subject to discriminatory measures applied by certain Western countries and their groupings, and it demanded that an end should be put to that abnormal situation once and for all.

25. His delegation fully recognized the significant role that UNCTAD could play in solving some of the economic problems of the developing countries and hoped that the second session of the Conference would help to eliminate the problems presented by international trade. In conformity with the recommendations of the first session of the Conference, Czechoslovakia had adopted measures which had increased the total value of its imports from developing countries by more than 25 per cent in 1965 and 17.5 per cent during the first half of 1966, as compared with the first half of 1965.

26. The United Nations Organization for Industrial Development could also play a significant role in solving world economic problems although, in his delegation's view, the draft statutes to be considered by the Second Committee were not exactly in line with the functions to be assigned to that important institution. Almost one half of the exports of Czechoslovakia, which was one of the world's ten most industrialized countries, consisted of equipment and machinery, a large part of which was exported to the developing countries. His country's experience might thus be of great help to UNOID in promoting international co-operation in industrialization, especially as, fifteen years after the Second World War, Czechoslovakia had succeeded in industrializing a part of its territory which had not formerly been industrial.

The meeting rose at 4 p.m.

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