United Nations
GENERAL ASSEMBLY
TWENTY-FIRST SESSION
Official Records

SECOND COMMITTEE, 1075th MEETING

Friday, 25 November 1966, at 10.50 a.m.

NEW YORK

CONTENTS

Page

Agenda items 38, 40 and 42:
Establishment of a United Nations capital development fund: report of the Committee on a United Nations Capital Development Fund (continued)
Accelerated flow of capital and technical assistance to the developing countries: report of the Secretary-General (continued)
Inflation and economic development: report of the Secretary-General (continued) 301

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

AGENDA ITEMS 38, 40 AND 42

Establishment of a United Nations capital development fund: report of the Committee on a United Nations Capital Development Fund (continued) (A/6303/Add.1, chap. II; A/6418, A/6459)

Accelerated flow of capital and technical assistance to the developing countries: report of the Secretary-General (continued) (A/6303, chap. V, sect. I; A/6461, E/4170 and Add.1 and 2 and Add.2/Corr.1, E/4171 and Corr.1, E/4189 and Corr.1 and 2, E/4240, A/C.2/L.898, A/C.2/L.902, A/C.2/L.905 and Add.1)

Inflation and economic development: report of the Secretary-General (continued) (A/6303, chap. III, sect. I and chap. XVI, sect. VIII; A/6424, E/4152 and Corr.1)

1. Mr. BOIKO (Ukrainian Soviet Socialist Republic) recalled that, at its forty-first session, the Economic and Social Council had devoted considerable attention to the problems created by the external financing of the development of the Third World. In considering and formulating international measures designed to intensify the flow of capital to the developing countries, one factor as important as the increasing drain of capital from those countries had not yet been taken sufficiently into account.

2. In its resolution 1938 (XVIII), the General Assembly had requested the Council to keep under systematic review the inflow of international assistance and development capital to the developing countries, as well as the outflow of capital from those countries. The Secretariat, for its part, had been requested to review, with the assistance of a group of experts, the methodological problems involved in measuring the flow of capital to and from the developing countries. In the report it had submitted (E/4171 and Corr.1), the group of experts, whose membership had not reflected the differences of opinion on the subject existing within the General Assembly, had not dealt with the methodological questions connected with the evaluation of capital outflows and had therefore not carried out its mandate. Yet capital outflows were a fact as undeniable as their harmful effect on the economies of the developing countries.

3. Although it had been recognized in the World Economic Survey, 1965,[1] that capital outflows were slowing down the economic growth rate of the developing countries, when studying those countries' requirements in respect of external aid, the terms of the loans they received and foreign private investment, the Secretariat often adopted the approach of the advanced capitalist countries. That could be seen from its attitude towards "tied aid", the repayment of loans with goods produced at the plants which the loans had helped to establish, propaganda in favour of creating a climate favourable to foreign private investment in the developing countries, etc. The situation was the same with regard to the respective areas of application of foreign private and public investment in the developing countries. It was recommended that public capital should be invested preferably in infra-structure and there was a trend to make infra-structure the main field of activity of United Nations programmes of technical assistance. Tax exemptions for foreign private investors, facilities for exporting profits and even more favourable terms than those offered to national investors were being advocated.

4. Such kotowing to foreign private capital sometimes extended to the evaluation of the role played in external aid by countries with different economic and social régimes. The same yardstick could not be used to measure the efforts made by the socialist countries and those of the imperialist Powers. The economic backwardness of the developing countries was due to the shameless exploitation of their natural resources by the colonizing countries, and all the attempts made to whitewash the latter by ascribing part of the blame on the socialist countries were inconsistent propaganda. The loans granted by the socialist countries could not be equated with investments of foreign private capital based solely on the profit motive. The socialist States were not trying to take over the enterprises whose construction they financed; they asked for no share in the profits, and the loans they granted bore interest at the rate of 2.5 to 3 per cent a year, whereas the profits of foreign investors ranged from 15 to 20 per cent a year. Foreign private investments were economically justified only when the recipient countries were not in a position effectively to control the conditions of ex-

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

ploitation of their natural resources and the use of the resulting profits.

5. He was surprised that, in introducing draft resolution A/C.2/L.905 at the last meeting, the representative of Algeria had accused all the industrial countries, described by that representative as "more fortunate", of not providing sufficient aid to the developing countries. In the case of Algeria, such reproaches might well be addressed to France but certainly not to the Ukrainian SSR, which was participating directly in the construction of 149 enterprises in the developing countries. With the active assistance of the Ukraine, the USSR was currently providing economic and technical assistance to twenty-six countries in Asia, Africa and Latin America. Given the basic differences in the terms, objectives and motives of the aid provided by the socialist countries and of foreign private investments, the Ukrainian delegation could not endorse the proposal aimed at ensuring that all the developed countries devoted the same percentage of their national income to financial assistance for the developing countries.

6. The colossal profits reaped by foreign capitalists from their investments and their exports represented considerable losses for the third world. When they tried to remedy that situation, the developing countries generally experienced a decline in the flow of private capital in their direction. They were thus faced with a difficult problem whose solution depended upon local conditions and required the exchange and compilation of experiences. That was why the Ukrainian delegation supported draft resolution A/C.2/L.898. It also hoped that the group of experts established in pursuance of General Assembly resolution 1938 (XVIII) and Economic and Social Council resolution 1184 (XLI) would take the observations which it had just made into account in preparing its report for the forty-third session of the Council.

7. Mr. ABERKANE (Algeria), speaking in exercise of his right of reply, thought that the representative of the Ukrainian SSR had misunderstood the statement by his delegation, which had in no way intended to play the role of accuser as it had been charged by that representative.

8. Algeria enjoyed excellent relations with the socialist countries and particularly with the Ukrainian SSR. The USSR had given Algeria substantial assistance and was currently participating in the construction of sixteen enterprises including one steel-mill. Soviet specialists had, in particular, helped Algeria immediately after its independence, in clearing the Algerian frontiers of mines. Algeria also benefited from the assistance of other socialist countries such as Bulgaria and Czechoslovakia. The point discussed the preceding day had been the need for the whole international community to take stock of its responsibilities in economic matters, which should not be confused with the guilt of certain countries.

9. All countries which were in a position to provide assistance had an urgent duty to do so—particularly, perhaps, those countries which during the colonial era had drawn on the wealth of the developing countries. In that connexion, the target of 1 per cent of the national income was a benchmark and to talk of the duty of certain countries to exceed it and the right of others to do less was splitting hairs. France was one of the few countries to have exceeded that figure and it would be unfair to imply that Franco-Algerian relations were the outcome of the colonial arrangement. Algeria considered those relations to be a model and an example of collaboration between developed and developing countries. It was admittedly difficult to eliminate overnight all the remnants of the past and to rudely cut the umbilical cord which had long linked new States to the former metropolitan countries. Actually, Algeria had not hesitated to assume its responsibilities in that regard by nationalizing, on 8 May 1966, certain of the mining enterprises which had belonged to foreign companies ever since the colonial era. On the other hand, Franco-Algerian co-operation on hydrocarbons was an example which the whole international community could well follow.

10. Mr. WONG (China) said that, although the symptoms of inflation were the same everywhere, the causes, and hence the cures, varied from country to country according to the particular economic and financial circumstances. It was, therefore, difficult to make recommendations valid for all. Inflation was akin to an unfair and cruel tax, as it hit the wage-earner and the poor most severely. While it was true that each country should itself adopt policies, often involving sacrifices, to curb or prevent inflation, the developing countries, because of their lack of the necessary domestic resources, needed international assistance to do so, especially when inflation was caused by factors partly or wholly beyond their control, for example, by a bad crop or a big drop in the price of some commodity.

11. His delegation shared the concern regarding the flow of capital expressed by other delegations and by the Economic and Social Council in resolution 1183 (XLI). Not only must interest rates be lowered and repayment periods lengthened, but other economic conditions governing bilateral or multilateral external aid, aimed at obliging the recipient countries to adopt self-help measures and achieve adequate results, must be eased. As most developing countries had only a limited amount of local currency available for financing important projects, foreign aid should cover not only the foreign currency component of the project, but also at least a part of the local currency component, either by providing non-project commodity financing, or, better, by putting at the disposal of the recipient country foreign exchange to enable it to pay for the imports its economy needed.

12. The limitations which some lenders imposed on State-owned enterprises other than power and transport utilities should also be relaxed. Many Governments, including his own, preferred private ownership; but there were many sound projects in the developing countries which the private sector was unwilling to sponsor, and it would be a mistake in such cases deliberately to create a pseudo-private ownership just in order to obtain a loan.

13. Finally, a third source of misunderstanding between lender or donor, on the one hand, and the recipient, on the other, was to be seen in the condition

imposed on developing countries that they should increase domestic savings and restrict consumption. The developing countries were obliged to aim simultaneously at economic growth and an immediate improvement in the living conditions of the population. They could not be asked to impose a greater tax burden or enforce domestic savings as a condition to become eligible for external assistance.

14. Unless there was some assurance of forthcoming resources to enable the United Nations capital development fund to operate, no useful purpose could be served by debating its establishment or even by transforming the United Nations Development Programme (UNDP). It would be preferable to undertake further studies, in particular on how existing channels of external assistance could be extended to cover areas as yet uncovered and also how various other restrictions limited their effectiveness.

15. Mr. KARMARKAR (India) recalled that the Council, at its forty-first session, had accorded considerable importance to the accelerated flow of capital, as was indicated by Economic and Social resolution 1183 (XLI). That resolution dealt exhaustively with all aspects of the flow of external resources to developing countries; he hoped that all concerned would implement its provisions with the urgency they deserved. Many documents and statements in recent years had reflected concern over the continuing unfavourable trend of the flow of development assistance, with regard to both its volume and the terms on which it was provided. All the available data served to establish conclusively that, while the developing countries continued to intensify their efforts to mobilize their domestic resources, the performance of the developed countries in providing support for those efforts remained deplorably insufficient. The annual report by the Secretary-General entitled International Flow of Long-term Capital and Official Donations, 1961-1965, and the addenda to that report (E/4170 and Add.1 and 2 and Add.2/Corr.1) presented a picture that appeared even more gloomy in the context of the conclusions drawn by IBRD, namely, that there had been an increase in the absorptive capacity of the developing countries. The Indian delegation, therefore, hoped that the developed countries would try to implement speedily operative paragraph 3 (a) of Council resolution 1183 (XLI) which urged them to reach and, if possible, to surpass by 1970 the objective of 1 per cent set for the United Nations Development Decade.

16. It also hoped that serious attention would be given to the provisions of the same resolution concerning the terms and conditions on which assistance was provided. United Nations documents and the reports of IBRD emphasized the alarming increase in the debt servicing burden of the developing countries: the total service payments, for interest and amortization, on public and publicly guaranteed debt of ninety-seven developing countries had risen from $2,400 million in 1964 to $3,500 million in 1965; moreover, the ratio of debt service payments to total export earnings of the developing countries had risen from 4 per cent in 1955 to 9 per cent at the beginning of the current decade and to 11 per cent in 1963. According to a recent statement by the President of IBRD, it was essential, if a disaster of incalculable proportions was to be avoided, to ease the terms of aid: at the present rate, the debt servicing burden of the developing countries was likely to offset the inflow of capital completely in a little more than fifteen years. In his delegation's opinion it was necessary, therefore, not only to ease the conditions on which future loans were made available, but to give urgent consideration to the possibility of re-scheduling existing debts in accordance with UNCTAD recommendation A.IV.5.[2]

17. The resolution 1183 (XLI) of the Council also dealt with the necessity of untying aid. Experience showed that the effect of tied aid was to distort the import patterns of the recipient countries and to distort their planning in favour of capital-intensive projects with a high import content. In recent years, the proportion of non-project aid granted to some countries such as India had increased slightly, and it was desirable that that trend should continue, as it would allow countries which had reached a certain stage of economic development to utilize their industrial capacity more fully by importing more components and spare parts. Aid tied to purchases in the creditor countries could, moreover, lead to recipient countries paying higher prices than those prevailing in the world markets and to delay the execution of projects; it was therefore desirable that all the aid-giving countries should strive to extend the scope of assistance by removing procurement restrictions to the maximum extent.

18. Finally, it was essential for the successful implementation of development plans that aid for them should be provided on the basis of long-term commitments, since short-term commitments rendered assistance sensitive to considerations of a non-economic character.

19. India had recently reiterated its support for a United Nations capital development fund, both in the Committee and at the Council's forty-first session. United Nations activities had always been limited to pre-investment, and investment capital could only be obtained through the IBRD and its associates. There was a need for a multilateral institution not only so as to increase the flow of capital resources to the developing countries, but also to ensure that the distribution of those resources was under truly international supervision. The existing multilateral financial institutions did not possess such a universal character as the United Nations and were very much under the influence of a few donor countries. The establishment of an institution in which the recipient countries enjoyed adequate representation would have no deleterious effect on the utilization of resources and would allow a more equitable provision of the latter on terms favourable to the developing countries. In the name of international co-operation, the Indian delegation therefore appealed to the developed countries still opposed to the establishment of the fund to reconsider their attitude.

20. The Secretary-General's report on inflation and economic development (E/4152 and Corr.1), while stressing in the introduction that summarization in a

---

[2] 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).

literal or statistical sense of the experience reported from different countries was inherently difficult and of doubtful value, nevertheless contained just such a tentative statistical analysis which might be misleading. In table 1, for example, India was classified as a country where the cost of living had risen from 5 to 10 per cent between 1957 and 1964, whereas up to 1963, the annual rate of increase had not exceeded 5 per cent. India should therefore have been classified among the countries with moderate to low rate of inflation. It had not been until 1964 that prices had begun to rise as a result of increased defence expenditure, poor harvests and an unprecedented drought in 1965-1966. Moreover, while paragraph 40 of the report correctly stated that India's deficit had increased sharply in 1963 and 1964, it did not sufficiently emphasize the substantial effort made over the same period to increase tax revenue.

21. Generally speaking, the report did not seem to have come to any definite conclusion, and, in particular, had not dealt with the question whether inflation could be averted in the process of economic growth. India naturally recognized that developing countries should take steps to curb inflation and, to that end, had already reduced expenditure and devalued the rupee to maintain its external viability, despite inflationary pressures. As part of its long-term policy, the Indian Government was striving to avoid deficit financing, curtail public expenditure and to pursue a monetary policy which encouraged a rapid growth of savings and restricted credit for non-essential enterprises. It had taken steps to ensure the equitable distribution of cereals and other essential commodities, had instituted rationing in the large cities and had established co-operative stores.

22. In order for developing countries to achieve a satisfactory growth rate while avoiding inflation, it was essential to improve their economic environment. In particular, the developed countries and international organizations should liberalize their trade policies, increase the volume of aid by offering easier terms and take steps to increase international liquidity and reserve a fair share for the developing countries.

23. Mr. PESHKOV (Byelorussian Soviet Socialist Republic), referring to agenda item 40, stressed that the need to accelerate the flow of capital and assistance to the developing countries did not result from temporary conditions. Those countries could not finance their economic development without foreign help because of the impact of colonialism on international economic relations and the international division of labour created by the colonialist system, which hampered the rationalization of international trade.

24. The financial situation of the developing countries was the result of the excessive profits earned by foreign private capital investments. The World Economic Survey, 1965, indicated that the net capital outflow from developing countries had doubled between 1950 and 1965 and that in 1964 it was over 50 per cent of the net inflow of capital. That meant that the dividends from foreign investments had increased.

25. When his Government provided technical assistance it did so from resources which were produced by the labour of its people. In contrast, aid given by capitalist countries, which had become rich during the colonial era and were responsible for the present situation of the developing countries, represented only a small part of the profits earned by those investments.

26. The flight of capital from the developing countries and the slackened pace of their economic development were due to the fact that the provisions of General Assembly resolution 1710 (XVI) concerning the granting to developing countries of an equitable share of earnings from the exploitation of their natural resources were not being properly implemented. The large profits which private investors had reaped by exploiting the population and natural resources of the developing countries had repaid them several times over for the capital invested. Foreign private capital was the cornerstone of neo-colonialism. It was invested in sectors yielding large profits, even at the risk of one-sided development. As an example, he referred to a statement made in January 1965 by the President of the Chrysler Corporation to the effect that, from 1956 to 1963, private American investment abroad had risen from 33,000 to 66,000 million dollars and had come from the profits previously earned on foreign investments. From 1959 to 1963, investment profits had amounted to 93 per cent of the total investments over the same period. In addition, subsidiaries which American companies had established abroad were creating an expanded market for American products. In 1963, those subsidiaries had bought American products worth 5,000 million dollars. Profits earned abroad by the Chrysler Corporation between 1954 and 1963 had exceeded its total foreign purchases and investments by 1,000 million dollars.

27. Moreover, the machinery of international aid worked in favour of foreign private capital. A recent article in The Times of India indicated that a considerable proportion of the aid supplied by the United Kingdom had no effect on its balance of payments since the United Kingdom, as a major exporter, benefited from the aid given to the developing countries by other countries because it helped them to increase their imports from the United Kingdom.

28. In studying the various aspects of the flow of capital to developing countries, our attention should therefore be given to the flow in the opposite direction which deprived those countries of capital which, according to some economists, they might utilize more advantageously than the new foreign capital investments. The socialist countries had often noted the increasing burden imposed on the developing countries by the export of profits and the servicing of their external debt. As early as 1961, an American economist had forecast the servicing of that debt would offset the inflow of capital by 1970. In January 1966, the President of IBRD had made the same observation.

29. The flow of private capital to the developing countries therefore had effects which differed considerably from the objectives of financial and technical assistance as defined in UNCTAD recommendation A.IV.3. That observation was confirmed by the Secretary-General's note on financing of economic

development[3] and the Under-Secretary for Economic and Social Affairs had recognized in his opening statement (1023rd meeting) that the roots of the present crisis lay perhaps in certain characteristics of public and private attitudes and the decision-making process which remained outside the field of United Nations inquiry, and that it might perhaps be necessary to embark on a more extensive investigation to discover what must be changed, improved or eliminated in the procedures and practices of international aid.

30. The report of the group of experts on the measurement of the flow of resources from the developed market economies to the developing countries (E/4171 and Corr.1) did not give a complete picture of the situation because, despite the recommendations in General Assembly resolution 1938 (XVIII), it did not deal with the movement of capital in the opposite direction. Generally speaking, the available documentation did not adequately analyse the causes of capital outflow from developing countries or the measures which had to be taken to curb it. The group of experts appointed under General Assembly resolution 1938 (XVIII) might wish to comment on an analysis of the reverse flow of capital, which the Secretary-General had been requested to make in Economic and Social Council resolution 1184 (XLI), and submit its comments to the General Assembly, which was to examine the question in depth during its twenty-second session.

31. For those reasons, his delegation had co-sponsored draft resolution A/C.2/L.898, under which the General Assembly would request the Secretary-General to make recommendations on measures to be taken in order to limit the outflow of capital from the developing to the developed countries.

32. Mr. AKSIN (Turkey) said that the developing countries were aware of the need to increase investments in order to achieve a more rapid rate of growth and so to bridge the widening gap, recognized by all, between rich and poor countries in the second half of the United Nations Development Decade. But as the Secretary-General indicated in his report on inflation and economic development, it was difficult for those countries to increase their investments in any substantial degree without the risk of inflation. That was one of the dilemmas of our time. Obliged to devote an increasing proportion of their gross national product to economically productive investments, the developing countries, where private savings were limited and the supply of foreign capital often inadequate, had to increase public investments without being able, for administrative, economic and political reasons, to raise taxes. The result was budgetary deficits, a source of inflation. The developing countries would therefore always be prone to inflation, and to exhort them to maintain price stability and to pursue sound monetary and tax policies was tantamount to asking them to do the impossible and forfeit their economic development. But inflation itself in the long run curtailed economic growth and accentuated social imbalances.

33. Having experienced a period of inflation from 1954 to 1958, due mainly to increased public expenditure, Turkey had faced great balance of payments difficulties, a disruption of production, distortions in the price structure, and a slowing down of the growth rate. It had taken a stabilization programme, devaluation and two years of painful adjustment before the Turkish economy had resumed its healthy growth with price stability.

34. The way out of the vicious circle, where effort to accelerate growth created inflationary pressures which were detrimental to further growth, was for developed nations to make up the differences between the actual and the desirable volume of investments and adopt the measures recommended by UNCTAD to enable the developing countries to increase their capacity to import, for the scarcity of imported goods often drove prices up and set off an inflationary spiral.

35. But the developing countries themselves could also help to ward off inflation by implementing a national plan for the development of their resources, creating a climate favourable to investment, cutting down on consumption of luxury goods and instituting the necessary structural reforms.

36. The report of the Secretary-General on inflation and economic development would provide Governments with useful information on the experience of various countries, on the causes of inflation and its effects on development and how to counteract them. The report also stressed that the developed countries had a duty to assist developing countries to achieve a satisfactory rate of growth without inflation.

37. It was regrettable that the flow of capital and technical assistance to the developing countries had not attained the target of 1 per cent of the national income of developed countries. Worse still, according to the supplementary report by the Secretary-General on the international flow of long-term capital and official donations, 1961-1965 (E/4170/Add.2 and Add.2/Corr.1), there had been a perceptible tightening of the terms of such assistance between 1964 and 1965. The effect was to raise the weighted average interest rate from 3 to 3.6 per cent, to shorten the weighted average tenure from twenty-eight to twenty-two years, and to reduce the "grace period" from seven to less than five years. Economic and Social Council resolution 1183 (XLI) was therefore timely. His delegation welcomed it, and would also support draft resolution A/C.2/L.905 reaffirming that resolution.

38. Turkey had been one of the sponsors of UNCTAD recommendation A.IV.12 on the promotion of private foreign investment in developing countries, and of General Assembly resolution 2087 (XX) on the financing of economic development. With favourable conditions, developing countries could benefit from the capital, technical know-how and managerial skill of those foreign investors who were ready to respect the sovereignty and laws of the host country.

39. Another serious problem confronting the developing countries was the growing burden of debt servicing at a time when the flow of assistance remained static and there was a disquieting prospect that the outflow of capital would exceed the inflow. His delegation,

[3] *Official Records of the Economic and Social Council, Forty-first Session, Annexes*, agenda item 8, document E/4224 and Add.1.

representing a country which had at one time seen over one-third of its export earnings pre-empted by debt servicing, expressed its full support for the ideas contained in draft resolution A/C.2/L.898.

40. Turkey had supported UNCTAD recommendation A.IV.7 and General Assembly resolution 2042 (XX) concerning the United Nations capital development fund because of its dissatisfaction with the present scale of capital assistance to developing countries. By setting up the fund, the international community would be provided with an organ which could contribute to economic growth, particularly in the vital field of industrialization. Without replacing the other international bodies responsible for multilateral assistance, whose usefulness, flexibility and initiative had been demonstrated, the United Nations capital development fund, with its different structure and administration, would broaden the choice offered to developing countries seeking the most suitable type of loan for their particular requirements. Initially the fund could be established with modest resources which would grow as its operations expanded. Needless to say, however, the fund should constitute a net increase in the total resources available to developing countries, and not be financed at the expense of existing institutions. Since the developed countries would provide the bulk of those resources and their volume would necessarily determine the effectiveness of the institution, members of the Committee should display a spirit of compromise so that the draft resolution might be adopted unanimously.

41. His delegation could also support the gradual transformation of the Special Fund element of UNDP and the extension of its activities to the field of investment proper. Recommendation A.IV.8 of UNCTAD had in any case suggested that the Special Fund criteria should be broadened so as to include increased financing of demonstration projects, which would serve as a bridge between pre-investment and investment activities. But UNDP should not engage in one at the expense of the other. Such a transformation presupposed an increase in the contributions of Member countries.

42. Mr. CASTAÑEDA (Spain) said it was very significant that all representatives who had spoken were in favour of the three draft resolutions. It had been international economic policy for twenty years now to encourage the development of the economically backward countries, but it must be recognized without one being deluded by the term United Nations Development Decade that two-thirds of the way through the Decade the rich countries were continuing to advance, on which they could not but be congratulated, while the poor countries unfortunately remained poor and the huge gap between the two groups still existed. Industrialization called for the mobilization of considerable capital and the developing countries could not achieve that goal without assistance. Moreover, those countries were suffering a further deterioration in the real terms of trade of their primary commodities and agricultural products in exchange for the industrial products of the advanced countries, which further increased the difficulties they experienced in improving their situation out of their own resources. The flow of foreign capital must therefore be stimulated and inflation checked, for inflation destroyed the best fruits of development. Yet there were few countries that could resist inflation, and it had come to be recognized that moderate inflation facilitated development and its destructive effects were overlooked.

43. If it was not offset by an inflow of foreign capital, the considerable increase in the importation of the capital goods necessary for development, and sometimes of consumer goods to meet increased domestic demand, upset the balance of payments and easily led to dangerous inflation.

44. The measures envisaged in the draft resolutions were too modest. More effective, rapid and energetic measures were needed. Nevertheless, the Committee must not, by raising its sights, jeopardize less important but practical results. Spain, for instance, had developed considerably at great sacrifice, but it still had a long way to go. From that intermediate position, it associated itself with those advocating the most vigorous possible action in the interest of the developing countries.

45. Mr. SADI (Jordan) said that draft resolution A/C.2/L.905 was too long and too repetitious. It did not have to reproduce the whole of Economic and Social Council resolution 1183 (XLI). The fourth and fifth preambular paragraphs could easily be omitted; the eight and ninth paragraphs expressed two similar ideas and could be combined; the eleventh paragraph was irrelevant; the sixteenth and seventeenth paragraphs should be combined and the contradictions eliminated, and the eighteenth paragraph should be placed at the beginning of the draft. If those suggestions were adopted, his delegation would find it easier to vote for the draft resolution.

The meeting rose at 1 p.m.

Litho in U.N. 77201—May 1967—2,200