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CONTENTS

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

AGENDA ITEM 45

Permanent sovereignty over natural resources (continued) (A/5803, chap. III, sect. V; A/6430, E/3840, A/C.2/L.870 and Corr.1, A/C.2/L.871, A/C.2/L.873, A/C.2/L.874)

1. Mr. SIDASH (Byelorussian Soviet Socialist Republic) said that sovereignty over natural resources was a matter of vital importance to all countries and peoples. Recognition of that sovereignty was inseparable from that of the right of peoples to self-determination. At the present time, the matter was of concern primarily to the developing countries which were endeavouring to develop their economies, increase their national incomes and consolidate their economic independence. In their fight for economic independence, they were encountering many difficulties arising from the activities of international monopolies and colonialist practices. The after-effects of colonialism and the international division of labour which it had created were hindering the efforts of the developing countries to eliminate what was unilateral in their economies and to develop their natural resources rationally in their own interests. Hence the strengthening of sovereignty over natural resources was indissolubly linked to obliterating the economic heritage of colonialism.

2. He recalled, in that connexion, General Principle Fourteen of the United Nations Conference on Trade and Development[1] and noted that, by systematically continuing to violate such sovereignty, foreign private investors were persisting in a practice dating back to the age of colonial rule. Thus, the study of the implications of the activities of the mining industry and of the other international companies having interests in South West Africa[2] had led to the conclusion that foreign companies operating in South West Africa were not seeking to create even the beginnings of a balanced economy in that Territory. They were concerned above all with making profits and, as they were owned or managed by foreigners, their profits were exported and not re-invested in the Territory. The study showed that their aims were incompatible with respect for the permanent sovereignty of nations over their natural resources and with Article 73 of the United Nations Charter.

3. Many developing countries had not yet succeeded in breaking the grossly one-sided contracts and agreements which had been trust upon them. Their immense natural resources were swelling the coffers of foreign investors instead of serving to accelerate their own economic growth. It was impossible to make the best use of their wealth when foreign investors arbitrarily fixed prices and the volume of production, when they violated local fiscal legislation, did not help in training national technical cadres, and deprived the developing countries of the resources necessary for financing their economic programmes. Such actions were inconsistent with General Assembly resolution 1710 (XVI).

4. The developing countries were entitled to exploit their own natural resources, establish and develop modern branches of industry, carry out radical land reform, control the activities of foreign investors, abolish the discriminatory measures used by foreign capital towards national capital, promulgate progressive fiscal legislation and revise agreements which jeopardized the rights of the government in the economic field. Those prerogatives were based on the principle of the equality of rights of peoples and the principle of permanent sovereignty over natural resources. That was why the measures adopted by the developing countries to end the stranglehold of foreign monopolies and to recover the natural wealth of which they had been dispossessed were fully justified both legally and economically.

5. Nevertheless, in implementing such measures, those countries were encountering stubborn opposition from the colonialists and the international monopolies which did not hesitate to use armed intervention to force them to renounce their sovereign economic rights, and in particular their sovereignty over their natural resources, the foundation of their economic development. Article 1 (2) of the draft Covenant on Economic, Social and Cultural Rights (A/C.3/L.1414 and Corr.1), adopted by the Third Committee, provided that:

> "The peoples may... freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic co-operation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence."

[1] 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).

[2] Official Records of the General Assembly, Nineteenth Session, Annexes, annex No. 15, document A/5840.

The United Nations was endeavouring to implement that Covenant and to ensure that it was ratified by all States. The General Assembly, at its twenty-second session, must formulate recommendations concerning the measures to be taken to guarantee respect for permanent sovereignty over natural resources.

6. The Byelorussian delegation supported the eleven-Power draft resolution (A/C.2/L.870 and Corr.1) and thought that, at the present time, the United Nations should concentrate on measures aimed at limiting foreign interference in the exercise of sovereignty over natural resources.

7. Mr. KARIM (Afghanistan) said that there was no need to comment at length on the amendment which he was introducing on behalf of Ceylon, Ghana and Libya (A/C.2/L.871). The pace of domestic capital formation in the developing countries was still very slow, and that could only seriously hinder their economic growth. Hence, the United Nations must encourage the flow of foreign capital, which was still inadequate, to the countries of the Third World. Admittedly, foreign capital should only be invested with the consent of the countries concerned and in accordance with the draft resolution. The proposed amendment would make the draft resolution a better reflection of the present situation. His delegation would be happy to join the sponsors of the draft resolution if they accepted that amendment.

8. Mr. WILMOT (Ghana) said that his delegation endorsed the basic ideas contained in the draft resolution and considered that the exercise of permanent sovereignty over natural resources, or in other words the enjoyment by any people of the right and freedom to enjoy to the utmost the economic benefits derived from the natural resources of its territory, was, for the developing countries, a prerequisite for the acceleration of their economic growth and the consolidation of their political independence. It was not merely a matter of ensuring theoretical recognition by the international community of each State's sovereignty over its own territory and consequently over the natural resources to be found there. If the developing countries were poor, it was not because they lacked natural resources, but because they had been unilaterally exploited during the colonial period by foreign interests and because the situation, from which Africa in particular had suffered, had hardly changed since those countries had become independent.

9. It was an indisputable fact that the developing countries possessed abundant natural resources. For instance, Africa had iron reserves twice as great as those of the United States, coal reserves sufficient to last for 300 years, a hydro-electric power potential equivalent to 42 per cent of the world total, 63 per cent of the world's goal production, large quantities of uranium, copper, titanium, oil and other raw materials indispensable for the economic might of many industrialized countries. It also had a vast agricultural potential and the Congo basin alone could produce enough food crops to satisfy the need of almost half the world's population.

10. Despite all that, its per capita income, ranging from \$80 to \$250, was among the lowest in the world, as against the per capita income of \$1,320 for Western Europe and \$3,272 for the United States of America. It was true that a large proportion of the natural resources of Africa were still untapped, but the resources that had been tapped had been mainly for the profit of foreigners. For example, between 1945 and 1955, foreign firms had exported from the Congo alone raw materials valued at \$2,773,000,000,000 and between 1945 and 1951 foreign mining companies in South Africa had drawn a profit of \$814,000 million from gold mining.

11. Unfortunately, there were still some countries where, since the attainment of independence, more than one third and sometimes even as much as a half of the gross national product went to foreign firms or to resident expatriates who owned plantations and mines, either because the pattern set during the colonial era had been maintained after independence because of the weak position of the country or because the introduction of new techniques had accelerated the output of the metal industries, strengthening the old trend still further.

12. While the Ghanaian delegation endorsed the draft resolution, whose objective was to recommend a course of action designed to redress that situation, if felt that care should be taken not to move from one extreme to another, in a kind of "mental absolutism" whereby the excesses of one economic system were regarded as the epitome of vice and the successes of another as the paradigm of virtue. The remedy for the excesses of foreign exploitation of the natural resources of the developing countries was not to be found in the elimination of foreign participation, whether public or private, but in seeking a rearrangement or improvement of the basis of the operations in such a way as to secure for the developing countries the utmost possible benefit. Certain ventures required joint participation, if only because of the risks they entailed, and decisions on such projects could be taken only on the basis of practical considerations.

13. At the present time, the developing countries urgently needed foreign investment, as was clear from part I of the World Economic Survey, 1965.[3] It was for that reason that his delegation had co-sponsored the amendment appearing in document A/C.2/L.871, which was designed to give some balance to the draft resolution. The task of the Committee was to recommend guidelines which would make it possible to establish equitable and remunerative economic relations between the developing countries and foreign investors.

14. That was indeed one of the cardinal principles underlying the economic policy of the new Government of Ghana, which was based on a constructive partnership between the public and the private sectors with the objective of raising the standard of living of the people through an accelerated rate of economic development. The new Government had rejected any purely ideological or theoretical considerations in economic matters and considered each opportunity for private investment on its own merits, participating in it where necessary. Ghana offered one of the most concentrated markets in Africa for private capital which desires to invest in industry. The new Government was taking steps to normalize its relations and

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

increase its trade with its neighbours and to systematize economic co-operation among the countries of West Africa, where investors could market their products. They would also find a skilled labour force in Ghana and the necessary public services. Not only was the Capital Investment Act still in force but the machinery for its implementation had been streamlined by the new Government, which was prepared to give the benefit of it to all investment projects that were calculated to increase national income, employment and foreign exchange receipts. Furthermore, Ghana had recently acceded to the new Convention on the Settlement of Investment Disputes between States and Nationals of Other States, of the International Bank for Reconstruction and Development. It offered investors fair treatment in accordance with the laws and the facts of its economic situation and, in exchange, it expected a fair return to the country, to the owners of the natural resources and to the workers who helped in producing the wealth.

15. The Volta River project was a good example of co-operation between a sovereign Government and foreign investors for the exploitation of water resources and bauxite. The Volta Dam, which had been officially opened earlier in 1966, had already increased Ghana's electrical capacity by nearly 500 per cent, accelerating industrial and agricultural development, and had made large supplies of water available to large segments of the population. Ghana had itself financed 51 per cent of the costs of construction, the remaining 49 per cent having been provided by international loans from the International Bank, the Agency for International Development and the Export-Import Bank, as also by the United Kingdom Board of Trade. The Volta Aluminium Company, backed by a consortium of United States private corporations, would by 1967 be producing aluminium ingots for export and would buy annually some 300,000 kilowatts of the electricity generated by the Volta project. Examples of such mutually advantageous partnerships were to be found in some other developing countries and it was possible to establish them in all developing countries.

16. It was with that in mind that the Ghanaian delegation agreed with the operative part of the draft resolution. The United Nations and its various agencies should offer the maximum assistance in efforts to redress any imbalances in the exploitation of the natural resources of the developing countries, securing for them an equitable share in the administration and profits of such exploitation, training national personnel at all levels and in all fields connected with such exploitation, and ensuring them all the appropriate social benefits. Encouragement should also be given to marketing organizations set up by the developing countries for the marketing of their natural resources, thereby safeguarding their sovereignty, and any assistance in that matter, as also in the matter of technical knowledge and capital goods, was welcome. Efforts should also be made to link the exploitation of natural resources as far as possible to the industrial development of the countries themselves; at present the bulk of the natural resources were exported in their primary state and went to feed the industries of the developed countries. For example, Africa had provided the United Kingdom with 91 per cent of the antimony, 82 per cent of the cobalt, 80 per cent of the manganese, 66 per cent of the asbestos and 50 per cent of the chrome ore used in its industries; it had provided France with 100 per cent of phosphates, 85, per cent of the lead, 51 per cent of the zinc ore and 32 per cent of the cotton used in its industries; and Germany with 71 per cent of the phosphorites and 20 per cent of the manganese ore used in its industries. Yet in scarcely any of the new African countries was there a single industry based on any one of those resources.

17. He hoped that the sponsors of the draft resolution would accept any amendments designed to encourage the establishment of mutually profitable relations between developing countries and foreign investors. He proposed that an informal working group should be set up to endeavour to reach agreement on the amendments and, if necessary, to continue its efforts while the Committee moved on to the next item on its agenda.

The meeting rose at 3.55 p.m.

Litho in U.N. 77201—May 1967—2,200