

United Nations
**GENERAL
 ASSEMBLY**

TWENTY-FOURTH SESSION

Official Records



**SECOND COMMITTEE, 1255th
 MEETING**

Thursday, 16 October 1969,
 at 10.45 a.m.

NEW YORK

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Chairman: Mr. Costa P. CARANICAS (Greece).

Tribute to the memory of Mr. Abdirashid Ali Shermarke, President of the Republic of Somalia

1. The CHAIRMAN said that the Committee had been shocked to learn of the untimely death of President Shermarke of Somalia. He expressed his and the Committee's sympathy to the Rapporteur and asked him to convey their condolences to the late President's family and to the Government and people of Somalia.

On the proposal of the Chairman, the Committee observed a minute's silence in tribute to the memory of President Abdirashid Ali Shermarke.

2. Mr. ABDILLEH (Somalia) thanked the Chairman and the Committee for their sympathy. Their condolences would be conveyed as requested.

Organization of the Committee's work

3. The CHAIRMAN said that the President of the General Assembly had been requested by the Chairman of the Committee on Conferences to draw the attention of the Chairmen of the Main Committees to operative paragraphs 7 (b) and 9 of General Assembly resolution 2239 (XXI).

**GENERAL STATEMENTS (*continued*)
 and
 AGENDA ITEMS 12 AND 40**

Reports of the Economic and Social Council (A/7603, chapters I to VII, X XI (sections C, D, F, G, H and J) and XIII; A/7203, paragraphs 764 to 770) (*continued*)

Second United Nations Development Decade: report of the Preparatory Committee for the Second United Nations Development Decade (*continued*) (A/7525 and Add.1-3, A/7603, chap. I; A/7603/Add.1, A/7699)

4. Mr. SHRESHTHA (Nepal) said that, despite its shortcomings the First United Nations Development Decade had made an impact on international co-operation and on domestic efforts in low-income countries. During that Decade the modest increase in *per capita* gross product in the developing countries was the result of their progress in such sectors as agriculture and industry.

5. His delegation endorsed Economic and Social Council resolution 1447 (XLVII) relating to the strategy for the Second United Nations Development Decade. An international development strategy formulated merely in terms of global technical coefficients and functional relationships would not be operationally very meaningful in individual countries; there should be an indigenous approach to development problems, each country fixing its own order of priorities and establishing targets consistent with its characteristics and situation. It would be unrealistic to treat all developing countries alike. In Nepal, for instance, until the domestic market was extended beyond the national frontiers, industrial development could hardly be anything more than the rudimentary growth of a few plants. It was only by eliminating existing trade barriers among developing countries that effective and enlarged markets could be created and the least developed countries enabled to establish modern industrial complexes. The question of the smaller developing countries deserved serious consideration, not only because they faced special problems but also because their number was very high. The disparity between developing countries at different stages of development should not pass unnoticed in any global development strategy. In his address to the General Assembly in 1967, King Mahendra of Nepal had drawn attention to the fact that the developing nations in general and the small nations in particular were subjected to various direct and indirect pressures.¹

6. A strategy to maximize output was essential in many of the least developed countries where a large section of the population was close to subsistence level. It was desirable, too, not only in order to lay a broader base for modernization but also to inspire confidence and mobilize public support for development activities. His delegation suggested therefore that in the next decade resources distributed through international agencies should be allocated in such a way as to maximize output in developing countries.

¹ See *Official Records of the General Assembly, Twenty-second Session, Plenary Meetings*, 1595th meeting, paras. 12-14.

7. The success of the Second United Nations Development Decade would depend, among other things, on international relations which were primarily reflected in external trade. The hard core of the strategy for the Second Decade should therefore ensure that the output growth rate, the capacity to import and the export growth rate were mutually consistent. The strategy would be meaningful only when it was directed towards a reallocation of productive capacity in such a way as to give manufacturing industries in developing countries an increasing share in the world market for selected manufactures in the production of which they had an advantage. The agreement in principle reached at the second session of UNCTAD to establish a system of general, non-reciprocal and non-discriminatory tariff preferences in favour of developing countries² should be translated into action as soon as possible. Although the results of the two sessions of UNCTAD had been disappointing, he was convinced that further efforts to bridge the trade gap should be made within the framework of UNCTAD, but that its work would remain unfinished until the special problems of the land-locked and least developed countries had been resolved. Those countries might not be in a position to benefit from any agreed system of preferences unless provision was made for differential treatment in favour of them. In addition, the preferential treatment and trading facilities extended by the more advanced to the least advanced of the developing countries should correspond to the preferences the more advanced of them received from the developed countries.

8. If the developing countries were to achieve a minimum growth rate of 6 to 7 per cent by the end of the Second Development Decade, there would either have to be a greater inflow of foreign capital or those countries would have to raise the level of their domestic savings. It was difficult to believe that the ratio of savings could be increased by as much as 18 to 20 per cent of the gross national product without adverse political repercussions. Clearly, therefore, there was a need for a greater net transfer of resources from the developed countries.

9. The success of the Second Development Decade would depend as much on physical inputs as on institutional reforms in developing countries. To a certain extent, institutional changes could take place in the course of the development process itself. It was essential, however, for countries to take deliberate measures to recast their growth-retarding institutions. In Nepal, land reform and other socio-economic measures had been introduced with a view to building a system of social order in which no individual or class could exploit or exert undue economic pressure on any other individual or class.

10. Public opinion should be focused on creative action, for the public would participate in development activities only when they were geared to their long-felt needs and aspirations and were capable of providing effective outlets for their potentialities. It was for that reason that the Panchayat system had been instituted in Nepal.

11. To transform a traditional economy successfully it was necessary to have at least one sector capable of generating

sufficient momentum to prevent a relapse into stagnation. In Nepal, it was the agricultural sector. The relative backwardness of that sector was holding back the forward-looking programmes for modern industrial complexes in a number of developing countries. His delegation therefore supported the proposal that part of UNDP's funds should be used for basic agricultural research, particularly the development of high-yielding varieties of grains. It was also gratifying to note that UNDP had been encouraged to expand its activities in the development of tourism.

12. In conclusion, he expressed his delegation's thanks to the Secretary-General for his suggestion that the regular programme of technical co-operation should pay more attention to the least developed of the developing countries in such areas as the preparation of new projects and the planning of technical assistance requirements in relation to development targets.

13. Mr. PIÑERA (Chile) said that, as the twenty-fifth anniversary of the United Nations approached, the developing countries, having lost the influence they used to wield in international relations, faced the future with uncertainty. In the early days of the Organization the great Powers had realized that the presence of the developing countries was necessary to the maintenance of peace and a great plan of international co-operation had been launched. With the easing of the cold war, however, the developing countries' influence had waned and international co-operation had slackened off.

14. The United Nations had served a useful purpose by giving the developing nations a political status they had previously lacked and making them aware of their common interests. In addition, it continued to serve the useful purpose of not letting the developed countries forget that they were directly responsible for improving the living conditions of the peoples of the world.

15. The developing countries should offset their loss of political influence by improving their regional and group links. For them the fact that human beings were, in a time of peace, daily dying of hunger was as serious as the fact that the world was heading towards a nuclear war. The maintenance of peace depended, therefore, not so much on the understanding of three or four nations, however strong, as on the future attitude of the immense mass of underprivileged peoples. Those peoples were becoming alive to their plight, thus obliging their leaders to end sterile international debate and seek one last opportunity to rid the world of social injustice. Account should be taken of the statement of the Administrator of UNDP that the war being waged was against poverty of opportunity rather than against poverty. The term "poverty", the Administrator had said, covered not simply hunger, ignorance, disease and lack of housing but also the denial to hundreds of millions of people afflicted by those characteristics of the opportunity to realize their full human potential and to build for themselves the kind of life to which all human beings were rightly entitled. It was essential, during the Second United Nations Development Decade, that the—possibly last—opportunity to combat poverty should not be lost.

16. His Government was striving against great odds to improve the living conditions of the Chilean people and was

² See *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I and Corr.1 and 3 and Add.1 and 2, *Report and Annexes* (United Nations publication, Sales No.: E.68.II.D.14), annex I, resolution 21 (II).

therefore justified in stating its views on international co-operation. It was aware, too, that it must wage its fight jointly with all developing countries. That was why Chile co-operated fully with the Latin American group, whose ideas were expressed in the consensus recently reached by the Special Commission for Latin American Co-ordination at Viña del Mar, Chile. It was encouraging to note that the basic arguments of that consensus had been discussed both in the Second Committee and in the report of the Pearson Commission.³

17. It was generally agreed that the success of the developing countries in achieving their objectives would depend to a large extent on the willingness of the international community to recognize and assume its responsibilities. During the First United Nations Development Decade, international co-operation had failed to satisfy the aspirations of the developing countries and, since the matter had been discussed many times in international forums, the developed countries could not plead ignorance of the "awareness of crisis" existing in the developing world. The crisis was attributable to the developed countries' lack of political will and to the divergent, and even contradictory, interests of the two groups of countries. If international relations were left to the free play of national interests, the strong would prevail and unjust systems would reappear. In an interdependent world, individual interests should respect the needs and aspirations of the whole. Rather than an interdependent world, however, there was a conflict of interests. That was why Chile had expressed its concern in various international forums at the crisis of international co-operation. His delegation agreed with the remark made by the Under-Secretary-General for Economic and Social Affairs in his statement to the Committee (see 1252nd meeting, para. 20) that the global strategy should affirm the responsibilities of the industrial Powers for the functioning of an adequate international order, for developing habits of co-operation to promote the liberalization of trade, long-term movements of capital, and the expansion of a policy of co-operation with the Third World. The developed countries should pay as much attention to co-operating with the developing world as to solving their balance-of-payments and related problems.

18. Much had been said about the failure of the bodies responsible for formulating the development strategy. Attempts to draw attention to the existence of the crisis of international co-operation caused by the absolute lack of political will on the part of all developed countries were met by total indifference. That was what had happened in UNCTAD. At each meeting of the Trade and Development Board the developing countries' proposals had been rejected outright and in many cases the major Powers had even gone back on agreements reached at the second session of UNCTAD in 1968. Similarly, it was argued that the developing countries were always advancing new ideas, which was untrue because their position had not changed since the Charter of Algiers.⁴

³ See Commission on International Development, *Partners in Development* (New York, Praeger Publishers, Inc., 1969), p. 260.

⁴ See *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I and Corr.1 and 3 and Add.1 and 2, *Report and Annexes* (United Nations publication, Sales No.: E.68.II.D.14), annex IX, p. 431.

19. Nor were their proposals unrealistic. As the report of the Commission on International Development had stated, the question to be answered was whether the rich countries would continue their efforts to assist the poor or allow the structure created for development co-operation to fall into disuse. That question should be answered by deeds and political decisions by the developed countries; otherwise the international community's efforts to draw up an action programme for the next ten years would come to nought.

20. The conclusions and recommendations of the Commission on International Development were remarkably similar in content to the principles embodied in the consensus of Viña del Mar. The Minister for Foreign Affairs of Chile had said recently in the General Assembly that those principles:

"... must guide future steps in international co-operation for development and, in particular, the measures to be agreed upon as an integral part of the next Development Decade" (see 1771st plenary meeting).

Those principles were valid, not for Latin America alone, but for all developing countries; nor was Latin America seeking individual solutions for its economic development problems or, as had been alleged, using the legitimate claims of the developing world as a political instrument: development was indivisible. On the other hand, it was also entirely reasonable, as the report of the Commission pointed out, that co-operation for development should establish or strengthen a friendly political relationship on the basis of mutual respect, provided political support or the adoption of specific economic or social policies was not made a condition for the granting of aid.

21. In many other respects, the conclusions and recommendations in the report of the Commission on International Development were identical with proposals made by the group of developing countries in UNCTAD and elsewhere. The Commission had, for example, estimated that an annual growth of 7 to 8 per cent in the developing countries' imports would be required during the Second Development Decade, as compared with the figure of 6.7 per cent advocated by the developing countries at the second part of the ninth session of the Trade and Development Board.⁵ The report's recommendations on policy measures, too, proposed precisely the type of action the developing countries had for so long been advocating concerning specific commodity arrangements, supplementary financing, tariff barriers on products of special interest to them, buffer stocks, quota restrictions, export financing, the financing of interregional trade, target dates for a scheme of general non-reciprocal preferences and for the achievement by industrialized countries of the 1 per cent transfer of resources, and the proportion of resource transfers which should be in the form of public development assistance. When the views of such a distinguished body of experts were so closely parallel to those of the developing countries, it was impossible to say that the latter were unrealistic.

22. As matters stood, the outlook for the strategy was bleak. The contribution of UNCTAD, which might be

⁵ See *Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 16 (A/7616)*, part four, annex II.

summed up as the creation of the required resources, had not been agreed upon. The situation with respect to international trade, development financing, transport, transfer of technology, social development and technical co-operation showed little improvement. On the subject of international trade, the Latin American countries believed that negotiations should take place at an early date on time-tables for the removal of obstacles and on commodity agreements. It was also to be hoped that recent difficulties in OECD would not be used by preference-granting countries as an excuse for abandoning the time-table for initiating the scheme of preferences agreed upon at the second session of UNCTAD.

23. It should be noted, with regard to development financing, that both the report of the Commission on International Development and the consensus of Viña del Mar recognized that the net flow of capital had declined, and its terms grown more burdensome, in recent years. The latter document also condemned tied aid and pointed out that private foreign investment should not be considered as aid or as part of financial co-operation for development. The reasons why that principle was of great importance to Latin American countries were illustrated by the fact that, whereas new direct investment in Latin America in the period 1950-1967 had amounted to \$7,500 million the outflow of income from such investments during the same period had been almost \$9,000 million. Moreover, it was regrettable that the recommendations of the UNCTAD Group of Experts on International Monetary Issues with regard to linking development finance to new international liquidity had not been followed.⁶

24. His Government shared the concern recently expressed by the Under-Secretary-General for Economic and Social Affairs on the pace of the transfer of science and technology to the developing countries. What was not acceptable, however, was the effort to induce those countries to concentrate on family planning; that was not an appropriate area for international action.

25. The report of the Preparatory Committee for the Second United Nations Development Decade (A/7699) was disappointing. Instead of the imaginative strategy expected, it offered only a short account of the work of the Committee at its four sessions and a repetition of basic information, already only too well known. Of the agreed components of the proposed international development strategy referred to in paragraph 3 of its report, the Committee had produced, for the first component, a draft preambular declaration which was no more than an appeal addressed to the developing countries alone. Its failure to produce a comprehensive specification of objectives probably reflected the fact that the international community was not yet willing to assume specific development commitments. The Preparatory Committee had postponed a decision on the policy measures to fulfil the objectives for the Decade, and had adopted no final decision on the arrangements for the review and appraisal of both objectives and policies. His delegation believed that the functions of review and appraisal should be assigned to a committee

similar in composition to the Preparatory Committee, which would report directly to the Economic and Social Council and the General Assembly. With regard to the final component, the mobilization of public opinion, it was essential that all countries should be provided with the communications facilities and national organizations required to spread the gospel of development. The industrialized countries should be asked to transfer the necessary resources and techniques for that purpose in such a way as not to disrupt existing development programmes and through the United Nations, as the co-ordinating and disseminating agency. There was also an urgent need to strengthen the information services of the United Nations and its agencies.

26. His delegation fully agreed with the Secretary-General's opinion that, in the present age, peace was development. For that reason, it urged the major developed countries to abandon their concept of international security as security based on the force of arms. The most valuable contribution those countries could make to the maintenance of peace was to follow the example of those progressive European countries which were already contributing a minimum of 1 per cent of their gross national product for development.

27. Mr. HILLEL (Israel) said that the fact that the world community was preparing for the Second United Nations Development Decade had given it the opportunity to identify the main deficiencies of the system applied so far, to locate the weakest points and to recognize the magnitude of the efforts required to overcome the most acute problems of under-development. The contrast between rich and poor countries was becoming sharper. Nevertheless, although the proposed international development strategy would ultimately accelerate development, an immediate effort was needed in the case of a small number of critical aspects of under-development.

28. One such aspect was the population explosion. The estimate of the International Bank for Reconstruction and Development that a reduction of one tenth of 1 per cent in the population growth rates of the poor countries was equivalent to an increase in capital formation or foreign aid of \$600 million *per annum* illustrated the extent to which population control was linked with economic progress. Accordingly, policies and specific targets for growth rates of population should be incorporated in the plans for the Second Development Decade, with due regard to the conditions obtaining in individual countries and to selecting the correct approach in each case.

29. A second problem requiring urgent action was the insufficiency of capital and skills. The inflow of external finance was still too low and was affected by the rise in interest rates in the money markets. A number of significant advances had recently been made in that respect: the increase to \$100 million of the World Bank allocation to the International Development Association, for instance, would strengthen the latter and the Bank had, in a single year, achieved three fourths of its five-year target of doubling its lending and borrowing. The Bank's loans, however, were offered on hard commercial terms. The ability of the developing nations to absorb credit on such terms was almost exhausted and was severely affected by

⁶ See *International Monetary Issues and the Developing Countries: Report of the Group of Experts* (United Nations publication, Sales No.: 66.II.D.2), chap. IV.

their debt burden. Concessionary terms on loans were therefore imperative if a complete invalidation of aid was to be avoided. It was for that reason that the report of the Commission on International Development recommended the establishment of a fund, on the lines of the interest equalization fund envisaged in the Horowitz Proposal, to subsidize interest rates.⁷ Through the subsidy, the fund would enable the developing countries to obtain money on the market on conditions compatible with their capacity to repay.

30. His delegation believed that the activation of the Special Drawing Rights facility within the International Monetary Fund would contribute to the promotion of trade and capital movement. It was regrettable, however, that the opportunity of linking the additional liquidity with development finance, as recommended by the UNCTAD Group of Experts on International Monetary Issues, had not been seized. The allocation system should be reconsidered with a view to serving the needs of countries at the take-off stage of development. All of those measures, together with the maintenance of the current volume of grants-in-aid, should be given special attention within the framework of the Second Development Decade.

31. Development capital needed to be supplemented by skills and knowledge. Technical assistance was therefore essential in the new strategy, if the most critical economic and social problems were to be solved. It was true that within a recent period of four years technical assistance had increased by some 65 per cent, but it was often given for projects which were not properly integrated with the development plans of the country concerned. More attention should be given to longer-term projects with special emphasis on "turn-key projects", in which not only was an enterprise created but arrangements were also made to train local personnel to take over its management entirely. Such projects should be carefully selected and priority given to those designed for critical economic and social sectors.

32. Israel was a large supplier of technical assistance through both bilateral and international arrangements. Its programme of technical assistance would be based on long-term projects developed in consultation with interested Governments and aimed at solving selected key problems.

33. The Second Development Decade should witness greater international effort to establish, strengthen and promote technological activities and scientific research in fields appropriate to the economies of developing countries. Such effort was particularly relevant in connexion with agricultural implements, food processing, mechanical equipment, building materials and housing, and much more technological research was needed in solar energy, ground-water development and water desalination. Israel considered it an obligation to share its vast and significant experience in those fields with other developing countries and for that purpose a substantial proportion of its research and development efforts would be devoted to projects specifically geared to the requirements of developing countries. It also provided facilities for disseminating science and its application to development.

⁷ See *Partners in Development* (New York, Praeger Publishers, Inc., 1969), pp. 221-222.

34. The most urgent current need for the developing countries was to increase the production of food-stuffs to stave off the danger of famine. There were hopes, however, that, if full advantage was taken of new strains of cereals and other plants, and of irrigation, fertilizers, and agricultural training, food production would rise enormously within the Second Development Decade. There was no reason why, given the necessary combination of capital and skills, a revolution in agriculture similar to that which had occurred in his country could not be achieved elsewhere. From 1955 to 1965, for instance, agricultural production in Israel had grown by approximately 156 per cent. It was encouraging to note the increasing awareness in the developing countries of the importance of agricultural development in the growth process.

35. Mr. KAHILUOTO (Finland) said that the Second Committee's methods of work were a matter of immediate concern. A suggestion had been made at the twenty-third session of the General Assembly that the Committee should concentrate in future on major policy questions instead of dealing each year with a large number of items. In that connexion, the agenda adopted for the current session was an important step in the right direction.

36. With regard to the continued preparations for an international development strategy, the need for a change in attitude was the most important difference between the First and Second United Nations Development Decades. It had to be recognized that development required the effective and voluntary co-operation of both developed and developing nations. However, a common strategy accepted by both parties had to be agreed upon in order to mobilize the necessary political will and support. The experience of the ten previous years had shown that more was needed than a mere statement of broad objectives. Plans for the Second Development Decade should be made in greater detail, particularly on the national level, so as to enable countries better to marshal their resources and review the progress made. In view of the greatly varying circumstances in different regions and countries, global targets and objectives should be limited to a small number of items constituting a general framework for the Decade and adjusted to regional, sub-regional and national development plans.

37. While it had been generally recognized that economic and social development was primarily a national responsibility, it should also be recognized that the efforts of the developing nations had to be supplemented in an increasing degree by technical and financial assistance from the more advanced countries as well as by measures to increase the developing countries' participation in international trade. In that connexion, full use should be made of the specialized agencies and other organizations within the United Nations system. The final report on the Capacity Study, undertaken by Sir Robert Jackson for the United Nations Development Programme, would soon be submitted to the Governing Council of UNDP and could provide valuable guidance in the matter.

38. The task of formulating an international development strategy required the widest possible co-operation and it was therefore a matter of regret that a generally acceptable solution had not been found in the designation of the members of the Preparatory Committee.

39. The Under-Secretary-General for Economic and Social Affairs had stressed the over-all importance of the transfer of technology to the developing countries. His delegation fully shared that view and was convinced that the comprehensive report of the Secretary-General on science and technology, to be submitted to the Economic and Social Council in 1970, would produce a well co-ordinated solution in that vital field.

40. The Under-Secretary-General should also be congratulated on the emphasis he had placed on the social aspect of development (see 1252nd meeting, para. 8). The Finnish delegation had had on more than one occasion the opportunity to stress the close interrelationship between economic and social development. The objectives of the Second United Nations Development Decade should therefore constitute an integrated socio-economic system. The Preparatory Committee would do well in future to consider the social policy of the 1970s. However, no attempt should be made to impose on the developing countries social patterns tailored to the needs of industrialized countries. In that context, the Under-Secretary-General might have elaborated on the role of the United Nations with respect to the population problem. His delegation fully shared the view that family planning policies and measures should be part of national plans. At the same time, however, it stressed the importance of the efforts of the international organizations to assist the Governments of the developing countries. His delegation, along with those of the other Nordic countries, had been an advocate of family planning programmes as an integral part of a real development strategy. That policy was reflected in very practical terms: the Government of Finland had extended a grant of \$50,000 to the United Nations Fund for Population Activities in 1969 and had proposed to Parliament a further grant of \$75,000 as a contribution for 1970.

41. With regard to trade and aid, UNCTAD had a vital role to play in the preparations for the Second Development Decade. There was definite need for a new approach to the formulation of UNCTAD's contribution in order to arrive at successful results at the third part of the ninth session of the Trade and Development Board. What was required was an open-minded and realistic dialogue between all parties on the very concept of UNCTAD's contribution and readiness to accept a new approach.

42. In speaking of "practical internationalism", the Under-Secretary-General had stressed (*idem.*, para. 21) the need to redefine the relationship between the international machinery and national Governments and had referred to the establishment of teams of planning, programming and management experts. He had suggested that such teams could play a significant role in the implementation of the strategy by helping to improve national policy and participating in the evaluation process. The Government of Finland had supported the idea of planning teams when it had been proposed by the Secretary-General to the Commission for Social Development. The Government of Finland had suggested as a further step that such teams could be set up to assist the national planners in various regions and sub-regions not only during the Second Development Decade but far in advance as well. That approach had been successfully used in one sub-region and the same procedure, when applied on a larger scale, would

also serve the purpose of co-ordination at different levels to which special emphasis had been placed in connexion with the preparations for the Decade.

43. In conclusion, he informed the Committee that his Government had recently undertaken a thorough assessment of Finland's contribution to the Development Decade and, as a result, had proposed to Parliament a programme designed to achieve, in stages, the aid target of 1 per cent of the gross national product. Accordingly, Finland's contribution to economic development aid would increase by one third in 1970 and would grow steadily year by year.

44. Mr. TOMEH (Syria) said that international efforts to accelerate the growth of the developing countries had so far proved inadequate. The Preparatory Committee for the Second United Nations Development Decade had made very little progress and should therefore make a greater effort to reach agreement on targets for various economic sectors of the strategy. Its most difficult task was to reach agreement on the national and international measures required to achieve sectoral targets and, therefore, the over-all growth target. Failing such agreement, the strategy would be no more than a statement of pious hopes and intentions.

45. The main role in any international development strategy devolved on the developing countries and they had accepted that principle. Moreover, their past performance in development had been good. Their gross domestic product had increased by an annual average of 4.8 per cent from 1950 to 1967, as stated in the report of the Commission on International Development, and they had mobilized the bulk of their investment capital. During the 1960s, their domestic savings had financed 85 per cent of their total investment. While their record of performance was good, still more was required. In the first place, they should make an additional effort to raise the ratio of domestic savings. That could be done by revising their taxation system, developing capital markets, and expanding their financial institutions. Many developing countries had so far done little to introduce tax reform, their Governments finding it simpler to bridge the gap between available real savings and the desired level of investment by resorting to deficit financing. While Government borrowing from central banks, if kept within limits, need not be harmful, many Governments borrowed excessively thus causing inflation and creating a balance-of-payments problem.

46. Secondly, the introduction of land reform and modern production methods was essential in a large number of developing countries. Agricultural reform would raise agricultural productivity and, at the same time, bring about a more equitable distribution of income. It was important for the countries concerned to implement equitable income distribution policies with a view to achieving stable development. The reform of the banking system, in the sense of introducing changes in lending criteria, had not received the attention it deserved. A reform of commercial bank lending practices which shifted the emphasis in lending from the criterion of credit worthiness to that of the contribution made to production by the project to be financed would contribute more to growth and to equitable income redistribution.

47. Thirdly, the developing countries should take measures to expand their trade and to achieve economic integration among themselves on a regional or subregional basis. They would derive considerable benefit from schemes of economic integration, including economies of scale, improved efficiency through greater competition, greater opportunities for specialization, less instability in their external earnings and improved terms of trade. While regional or subregional economic integration would take some time to materialize, an initial step might be for a group of developing countries to establish multilateral payment arrangements. The lack of foreign exchange in many developing countries was a major cause of their relatively low level of trade with one another. Payments arrangements might help to remedy that defect. The developed countries might also help multilateral payments schemes by providing assistance in convertible currencies.

48. The measures that the developing countries could and should take in order to increase their rate of economic growth and ensure their stable development were no substitute for the measures that should be taken by the developed economies and international institutions and which ought to form part of the development strategy. The developing countries suffered from an external constraint on their development and the purpose of the measures to be taken by the developed countries and international institutions was to remove or lessen that constraint which took the form of insufficient long-term growth and short-term instability in the developing countries' exports and a mounting external debt burden. Thus, excluding the trade of the centrally planned economy countries, the share of the developing countries in world trade had declined from 30 per cent in 1948 to 20 per cent in 1968. Moreover, the ratio of the annual debt burden of those countries to their exports had risen from 6 per cent in the mid-1950s to 12 per cent in the mid-1960s and for some countries had exceeded 15 per cent.

49. Measures had been recommended within the framework of UNCTAD to give the exports of the developing countries freer access to the markets of the developed countries. Unfortunately, little if any progress had been achieved in implementing those measures. They should be urgently implemented. Progress was also slow with respect to the conclusion of agreements on certain commodities which would help to stabilize export proceeds. The Executive Board of IMF should therefore be commended on its recent decision to create a special facility equivalent to 50 per cent of the quota in order to help member countries finance contributions to international buffer stocks. That decision would help to overcome the financial obstacles to the conclusion of commodity agreements. However, one objectionable feature was the provision that a member drawing under the facility at a time when it still had gold tranche drawing rights at its disposal would *pro tanto* lose such rights. That condition was unnecessary and adversely affected the international liquidity of countries participating in international buffer stocks.

50. It was also regrettable that IMF had found it necessary to impose the condition that drawings under the compensatory finance and the buffer stock facilities combined might at no time exceed 75 per cent of the quota. That condition should be abolished and the full limits of both facilities,

namely 100 per cent of the quota, should be made available immediately in case of need.

51. Commodity agreements were no substitute for supplementary financing, since it was unlikely that agreements would be concluded on all commodities subject to international price declines, and even when concluded they could not prevent adverse movements consequent upon declines in export volume due to circumstances largely beyond the control of the countries concerned. Hence the need for supplementary finance.

52. He noted with interest that the Trade and Development Board had decided (resolution 60 (IX)) at the first part of its ninth session to invite the International Bank for Reconstruction and Development to consider working out arrangements for supplementary finance and, if appropriate, to introduce them. The World Bank had already submitted a scheme for supplementary financing⁸ in response to a recommendation by the first session of UNCTAD. An objectionable feature of that scheme had been the content of the prior policy understanding between the supplementary financing agency and the participating country, which constituted a serious infringement of the economic sovereignty of the participating country for the sake of a relatively minor flow of external assistance. It was to be hoped that the supplementary financing scheme to be worked out by the Bank would be liberal and similar to the IMF compensatory financing facility.

53. Measures to facilitate commodity price stabilization, market access, and supplementary financing could not take the place of a larger flow of development finance. It was that belief that had led the second session of UNCTAD to recommend, in its decision 27 (II) of 28 March 1968, that each economically advanced country should endeavour to transfer to the developing countries annually a minimum net amount of 1 per cent of its gross national product at market rates. Unfortunately, the record showed that, in general, there had been little progress towards that target. The net flow of capital had not kept pace with the growth of the national product of the developed countries.

54. The over-all terms of development assistance had tended to harden. The proportion of grants in total official disbursements had declined from 70 per cent in 1961 to 56 per cent in 1967 and there was increasing recourse to tied aid. Balance-of-payments considerations were largely responsible for that unsatisfactory state of affairs. It was to be hoped, however, that the imminent allocation of Special Drawing Rights within IMF would lessen the balance-of-payments constraint and bring about a genuine move towards the 1 per cent target and an improvement in the over-all terms of development assistance.

55. The Syrian delegation welcomed the recent decision of the Board of Governors of IMF to activate the Special Drawing Rights and to distribute \$9,500 million for a basic period of three years, beginning January 1970. It was to be regretted, however, that the present Articles of Agreement

⁸ *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., 1965).

of the Fund precluded the establishment of an organic link between the creation of Special Drawing Rights and the provision of development finance to developing countries. That clearly implied that institutions providing development assistance were debarred from engaging in operations and transactions involving Special Drawing Rights. The developed market-economy countries, the main beneficiaries of the Special Drawing Rights, should consider the introduction of such an organic link soon after the activation of that new reserve asset. The approval of special increases in the quotas of developing countries would also contribute to that end. The Executive Directors of the Fund might consider the special position of the developing countries and propose an adjustment to give them a large share in total Fund quotas, because they were in greater need of international reserves, their export earnings were subject to short-term declines, and their margin for curtail-

ing imports was generally more limited than in the developed countries.

56. In the area of international monetary reform, there had been dissatisfaction with the adjustment measures taken by some developed countries on the ground either that they were inadequate or too late, and that had led to the recent disturbances in the foreign exchange markets. A number of economists had advocated the introduction of limited flexibility in the system of exchange rates. The Fund was at present studying the improvement of the adjustment process in respect of developed countries, including the use of limited exchange rate flexibility. The position of the developing countries should be taken into consideration in its study.

The meeting rose at 1 p.m.