United Nations
GENERAL ASSEMBLY
TWENTY-THIRD SESSION
Official Records

SECOND COMMITTEE, 1197th MEETING

Monday, 21 October 1968, at 3.25 p.m.

NEW YORK

CONTENTS

Chairman: Mr. Richard M. AKWEI (Ghana).

AGENDA ITEM 39

Permanent sovereignty over natural resources: report of the Secretary-General (continued) (A/7268)

1. Mr. KASPRZYK (Poland) recalled that the question of permanent sovereignty over natural resources had been considered over a number of years, culminating in the almost unanimous adoption of General Assembly resolution 2158 (XXI), of which Poland had been a sponsor. Although it could help the Committee to draw appropriate conclusions for its future work, the progress report of the Secretary-General (A/7268) should be supplemented by a much more detailed report, as suggested in paragraph 18 of that report. The new report might indicate recent changes in the extent to which natural resources were exploited by the developing countries for their economic advancement, the forms and conditions of foreign aid and the role of foreign capital in such exploitation, as well as relations between foreign investors and the countries concerned in the financing, administration and management of foreign enterprises concerned with natural resources and the training of the manpower working in them. The report should contain appropriate conclusions and recommendations for United Nations action.

2. Mr. OLUTOYE (Nigeria) said that his delegation had made an effective contribution to the discussions that had led to the adoption of General Assembly resolution 2158 (XXI). The principles laid down in that resolution were now generally accepted, and the main issue before the Committee was its implementation. In that connexion, the progress report of the Secretary-General (A/7268) was far too brief and should have been much more constructive, comprehensive and bold. More specific guide-lines could be laid down if necessary, but the requests contained in part II of Assembly resolution 2158 (XXI), as well as the principles set out in part I, were quite clear. The report contained little evidence of the maximum concerted effort referred to in operative paragraph 2 of the resolution, providing instead a catalogue of piecemeal efforts made in the past.

3. With regard to paragraph 5 of the report, the Nigerian delegation would welcome an intensification of the activities of the International Trade Centre operated jointly by the United Nations Conference on Trade and Development (UNCTAD) and the General Agreement on Tariffs and Trade (GATT), as well as more information on export markets and marketing and greater assistance for export promotion services. Efforts to provide training courses for export marketing and promotion personnel should also be increased.

4. Nigeria welcomed the establishment of the Survey Programme for the Development of Natural Resources which would serve a very useful purpose if it fulfilled its aim of encouraging a systematic and co-ordinated approach to evaluating the mineral, water and energy resources of particular countries.

5. His Government continued to play an active role in the over-all development of its natural resources and always welcomed co-operation. He could not agree with the view implicit in paragraph 9 of the report, that such co-operative efforts were somehow incompatible with permanent sovereignty over natural resources; permanent sovereignty facilitated international co-operation and there was therefore no contradiction between the two concepts.

6. More emphasis should be placed in the Secretary-General's next report on the role of foreign enterprises. With goodwill on both sides, a harmonious relationship between Governments and foreign enterprises could be maintained. In addition, all domestic human and physical resources available should be mobilized in the interests of economic development. It was to be hoped that the next report would provide evidence of a maximum concerted effort by the United Nations to enable all countries to exercise the right of permanent sovereignty over their natural resources; give a detailed account of the efforts made to ensure that the developing countries effectively exercised a choice in deciding the manner in which the exploitation and marketing of their natural resources should be carried out; indicate what steps were being taken to implement paragraphs 5 to 8 of General Assembly resolution 2158 (XXI); and give particulars of the efforts made to encourage the development and marketing of natural resources by developing countries.

7. The Nigerian delegation was prepared to co-operate in the preparation of such a comprehensive and detailed report, although it believed that sufficient information was already available. The essential point,

was to ensure implementation of the principles clearly laid down in General Assembly resolution 2158 (XXI).

8. Mr. OGORODNIK (Ukrainian Soviet Socialist Republic) said that, despite the adoption of General Assembly resolution 2158 (XXI) and other resolutions, the efforts of many developing countries to exercise their sovereign right over their natural resources and to become economically independent were opposed by foreign monopolies and by the imperialistic States which did not wish to relinquish privileges resulting from centuries of exploitation. A more modern form of colonial exploitation was the increasing absorption of the developing countries' resources in loan repayments and interest; indeed, if present trends continued, the outflow of resources would soon exceed the flow of resources into those countries. The situation was further aggravated by the growing amount of profits repatriated to developed countries and the huge losses incurred by developing countries as a result of inequitable exchange rates.

9. The assistance provided to the developing countries in the exploitation of their natural resources by socialist States presented a complete contrast. It was provided on terms favourable to the developing countries and without infringing their sovereign rights. Only thus—by applying the principle of mutual advantage—could the economic independence of developing countries be strengthened in the interests of their economic advancement.

10. The Ukrainian delegation did not share the view that the discussion of the item should be postponed; on the contrary, the many examples of violation of sovereign rights necessitated greater efforts on the part of the General Assembly to ensure the implementation of its relevant resolutions particularly resolution 2158 (XXI). It was unfortunate that the progress report of the Secretary-General (A/7268) was confined to United Nations activities and did not go to the heart of the matter: the real issues were the extent to which developing countries exercised their sovereign right over natural resources in practice, the obstacles to the exercise of that right, and the steps that should be taken to implement the relevant resolution. The General Assembly should reaffirm the importance of permanent sovereignty over natural resources, urge all States to respect the right of other countries freely to dispose of those resources, and request the Secretary-General to prepare a more comprehensive report. The new report should indicate the extent to which General Assembly resolution 2158 (XXI) had been implemented and show what steps had been taken by individual countries to safeguard their sovereignty. The United Nations could help them to safeguard their sovereignty by condemning specific cases in which it was being violated.

11. The United Nations must do everything in its power to assist the developing countries to strengthen their economic independence by exercising their right to permanent sovereignty over natural resources. The Ukrainian SSR would do everything possible to further those efforts.

12. Mr. ZADOK (Israel) said that the Secretary-General's progress report (A/7268) was valuable because it dealt with the practical problems of the exploitation of natural resources in the developing countries. In order to accelerate their economic growth, most of them had to rely on external assistance in the form of expertise and capital, which could be provided by the international community, individual developed countries and private economic interests. All countries must be free to choose the sources of assistance, as well as the type and terms of capital, which would best serve their national interests.

13. The developing countries should rely increasingly on the technical assistance provided by the United Nations, which was now able to carry out operational activities including the transfer of skills, on a large scale, particularly at the initial stages of developing mineral, water and energy resources. The choice of capital required for the exploitation of natural resources was a more complex problem, and the developing as well as the smaller industrial countries must be able to exercise full sovereignty over their resources by deciding where and on what terms to acquire the capital they needed. A greater share in the administration of, and profits derived from, enterprises fully or partially operated by foreign capital should include a bigger say in the determination of policy, which should not be left to foreign interests alone, since they might be guided by considerations not always compatible with the best interests of the country concerned. The exploitation of natural resources should be regarded as including not merely the extraction of raw materials, but also the production of semi-manufactures and manufactures.

14. The developing countries expected the United Nations to play an important role in the development of their resources, and it was therefore gratifying that the Resources and Transport Division had achieved encouraging results in the exploration of mineral, water and energy resources, thereby contributing directly to the implementation of General Assembly resolution 2158 (XXI). Because they were unable to keep pace with growing technical specialization owing to their lack of expertise, financial resources and trained personnel, the developing and the smaller industrial countries would depend increasingly on the technological expertise and experience which the United Nations could provide.

15. The report of the Secretary-General stressed the role of co-operation between States, particularly between developing countries. In its general statement (see 1185th meeting, para. 33), the delegation of Israel had said that developing countries should not underestimate their own skills and capacities and should demonstrate their readiness to share their experience with each other. Israel, which had developed highly sophisticated techniques for the large-scale transfer of water from northern Galilee to the previously uninhabitable Negev Desert, was aiding many Asian, African and Latin American countries in water development projects. The success of that co-operation demonstrated that the developing countries should undertake joint ventures rather than confine themselves to national efforts.

16. Mr. WANCHINDORJH (Mongolia) said that national sovereignty over natural resources was an integral part of the right of self-determination. The

principle of the permanent, inalienable and indivisible sovereignty of peoples, set forth in General Assembly resolutions 1515 (XV), 1803 (XVII) and 2158 (XXI), was fundamental to the implementation of Article 55 of the Charter of the United Nations. The Mongolian delegation had therefore supported all United Nations action designed to ensure the sovereign right of each country to dispose freely of its natural resources and to utilize them in the best interests of its economic development. Since the natural resources of the developing countries constituted the basis of their over-all economic development and particularly of the implementation of industrial policies, the exercise of that right was basic to complete economic independence.

17. The Secretary-General's short progress report (A/7268) failed to supply the necessary information concerning the major changes since the adoption of Assembly resolution 2158 (XXI). The reason might be found in the Secretary-General's remarks in the introduction to his annual report on the work of the Organization (A/7201/Add.1), to the effect that the most appropriate forms of external assistance had to be studied in depth.

18. Many developing countries were still unable to use their own resources to best advantage because of the activities of foreign monopolies. The annual increase in the per capita income of the developing countries, in spite of their abundant natural resources, was less than $2, compared with $60 in the industrially developed capitalist countries. The interests of foreign companies were dictated by selfish motives; no attempt was made to give the developing countries a fair share in the profits derived from exploitation of their natural resources.

19. The United Nations role in promoting economic and social advancement should be enlarged and international co-operation should be developed to ensure respect for the sovereign right of peoples to dispose freely of their natural resources and to strengthen their sovereignty in the interests of national development.

20. Mongolia was a sparsely populated country, rich in natural resources which were fully used for development, for diversifying the national economy and for raising the level of living. Its resources were exploited under national development plans, with the technical assistance of the Soviet Union and other socialist countries, on the basis of mutually advantageous agreements fully consonant with the principle of national sovereignty. New industrial sites were opened up each year. As a result of joint geological surveys and prospecting, many areas containing coal, iron ore and other minerals had been found in recent years. Industry's contribution to the gross national product was now nearly 50 per cent.

21. The most important aspect of the co-operation extended to Mongolia was the training of national technical personnel by the countries providing technical assistance, which had also eagerly helped it to build up its economic infrastructure.

22. Mr. GELEV (Bulgaria) said that, on the eve of the second Development Decade, the time had come to determine the practical steps to be taken within the United Nations system to guarantee permanent and effective sovereignty over natural resources as a means of speeding up economic development. While his delegation agreed with paragraph 16 of the Secretary-General's progress report (A/7268), it was not sufficient merely to note that natural resources development was expected to be a major factor in the next Development Decade. The effective exercise of their inalienable right by the countries from whose resources enormous profits continued to be reaped by foreign financial groups should be ensured. The establishment of effective national institutions for the management of natural resources required a consistent effort on the part of the Governments concerned. The process did not, however, need to be unduly prolonged provided the co-operation of all countries and international organizations was forthcoming; the United Nations could play an important role in that connexion.

23. He agreed with the representative of the Democratic Republic of the Congo that, if the United Nations resolutions on the subject had been applied, the world situation would have been very different from what it was.

24. The report was a rather poor result of two years' work, and it was difficult for the Committee to reach any useful conclusion. With reference to the dilemma referred to in paragraph 4, permanent sovereignty over natural resources could not be exercised unless the colonial system of economy disappeared; otherwise, General Assembly resolution 2158 (XXI) would be meaningless. A number of delegations had testified to the fact that a large proportion of the profits from the exploitation of the natural resources of developing countries continued to flow abroad. The United Nations must do everything possible to guarantee those countries a greater share in the profits and to make the achievements of modern science and technology available to them. The fact that the report drew attention to that aspect was welcome.

25. He hoped that a detailed report on the conditions in which foreign assistance and capital were used in the exploitation of natural resources, including a thorough study of the relationship between foreign investors and the countries concerned with regard to finance, administration, management and staff training, could be presented to the General Assembly at its twenty-fourth session. Such a study would be of great assistance in ensuring that permanent sovereignty over natural resources and their utilization became one of the major factors in planning the developing countries' economies and ensuring their social and economic progress.

26. Mr. DERESSA (Ethiopia) said that it was due to the realization of the importance of the fight against colonialism that 125 sovereign States were now represented in the United Nations. That process should continue until all oppressed peoples, including those of Namibia and of the Portuguese colonies in Africa, appeared among them. If developing countries were to consolidate their painfully-won independence they would have to mobilize their resources. The ultimate objective was to improve the social conditions of that part of mankind which still lived in poverty while their abundant natural resources

were exploited for the benefit of others. Ways and means must be found to ensure, with United Nations assistance, that hitherto untapped natural resources were utilized in the interest of developing countries and of humanity as a whole. Most developing countries, particularly in Africa, did not have the expertise needed for realizing their potential.

27. Referring to paragraph 7 of the Secretary-General's progress report (A/7268), he said that the fact that the problems could not be solved easily did not mean that they could not be reduced to more manageable proportions. The United Nations and specialized agencies should make a greater effort to provide the technical support needed by developing countries and to simplify the complicated procedures involved.

28. As the report indicated, the dilemma facing developing countries was not a juridical one. All sovereign States had the right to do as they wished with their own resources; the problem lay in their inability to exploit those resources by themselves and in the need to allow them to be exploited by foreigners while seeking to retain a fair proportion of the profits. Given goodwill and fair play, it should be possible for that to be done to mutual advantage. Mere recognition of the fact was not sufficient, however. He hoped that there would be a more analytical and systematic study leading to a more comprehensive recommendation, as contemplated in General Assembly resolution 2158 (XXI), and that a course of action aimed at remedying the situation would be laid down. His Government did not seek to close the doors to foreign participation, but merely to improve the basis of that participation and ensure equitable benefits for all concerned through a practical policy.

29. Mr. SOMAVIA (Chile) reaffirmed his delegation's position with regard to the right of every country to exploit its natural resources or to have them exploited by foreign investors in accordance with its own interests. Chile had encouraged and co-operated with foreign investment on equitable terms which were laid down by statute, and had introduced a measure of nationalization in some sectors of industry, such as copper mining. He agreed with the representatives of Algeria and Israel that the free choice of a country receiving foreign capital was often limited and that developed and developing countries should together discuss means of improving conditions in that respect.

30. Referring to the statement made by the Under-Secretary-General for Economic and Social Affairs (see 1180th meeting) concerning the need for a dialogue on the means for more active co-operation and fruitful participation by private capital, he said that the question at issue was the freedom of developing countries to take the economic decisions. He agreed with the representative of the Soviet Union that the matter was highly political. The decisions taken by each country would depend on its internal policy. Foreign capital was linked with the country from which it came, and developed countries often exerted political pressure with regard to it. Such capital was, however, necessary to the developing countries in spite of its non-neutral nature. As development proceeded, there would be a growing need for capital, and the Government of each developing country would have to decide whether the need was great enough to justify the political price. The function and role of foreign investment should be redefined.

31. Chile would like to see the gradual internationalization of private capital in order to maintain profitablity while eliminating political influence. One of the basic objectives of the next Development Decade should be the gradual setting up of institutions for that purpose, and the panel of experts to be convened by the Economic and Social Council should keep the idea in mind.

32. Mr. BEN YAHIA (Algeria) said that his delegation wished to record its objection to the Chilean representative's coupling of the Algerian delegation with the other delegation he had mentioned, and to disclaim any association with it.

33. Mr. SOMAVIA (Chile) said that he had made the reference merely to indicate his delegation's agreement with the Algerian representative's statement. He apologized to the Algerian delegation if the manner in which he had done so did not accord with that intention.

34. Mr. CHIMUKA (Zambia) said that, despite divergent opinions, agreement had emerged on a basic goal, but nevertheless the most prevalent feeling in the Committee was one of disappointment: the 5 per cent annual growth rate target for the developing countries during the first United Nations Development Decade had not been reached; the second session of UNCTAD had not led to improved terms of trade; and many countries with vast natural resources remained poor and under-developed because of their lack of technological expertise and development finance, which in turn was due to the short-sighted profit-motivated administration of earlier colonialist régimes. Foreign ownership of their natural resources was a matter of great importance for the developing countries since it made a mockery of their political independence. It was generally agreed that the gap between developed and developing countries should be bridged within the shortest possible time, but there was still a lack of proper statistics, development funds, technological know-how and skilled manpower. His delegation therefore supported the suggestions made in the Secretary-General's progress report (A/7268) and welcomed the proposed new role of the United Nations and its assistance and advice in the exploitation by the newer countries of their mineral wealth and other natural resources. It was important that such assets should be owned by the country itself, and government participation in the ownership of natural resources, and if necessary nationalization, should be a matter of course. Likewise, private persons and companies should be encouraged to take an active part in commercial and industrial life. A policy on those lines was followed by Zambia, which in April 1968 had invited big expatriate firms to sell at least 51 per cent of their stock to the Government. The response had been reasonably good.

35. The establishment of regional United Nations offices to exploit natural resources where foreign capital and technical know-how was scarce would avoid costly proliferation of organizations. The impor-

tance of regional co-operation had been shown in the report of the Sub-Regional Meeting on Energy for Central Africa.[1] In the matter of hydro-electric power, however, the other side of the coin was visible in Zambia's current vulnerable position vis-à-vis Rhodesia with regard to the jointly-owned Kariba power station.

36. The new International Trade Centre formed by UNCTAD and GATT would give developing countries valuable information on market conditions for primary and semi-processed commodities. It was also to be hoped that further machinery would be set up to protect developing countries from financial crises due to market changes. Now was the time for developing and developed countries alike to take immediate action under the guidance of the United Nations to bridge the gap which separated them from each other.

Mr. Mužík (Czechoslovakia), Vice-Chairman, took the Chair.

37. Mr. AMADO de FREITAS (Portugal), speaking in exercise of his right of reply, said that the reference to Portuguese Territories in Africa introduced an unnecessary political element into the Committee's discussions.

AGENDA ITEM 42

External financing of economic development of the developing countries: report of the Secretary-General (A/7203, chap. V; A/7253, E/4438, E/4446 and Corr. 1, E/4495, E/4512, E/4539, E/4565)

38. Mr. VARELA (Panama) expressed disappointment that decisions taken at the international level had not done enough to solve the problem of external financing of economic development. The developing countries had, without exception, made great efforts to improve efficiency in all areas of financial, social and economic development planning and had clearly demonstrated that they believed that development was not a spontaneous phenomenon but one requiring individual efforts and sacrifices. They had thus destroyed the argument, sometimes raised, that some of them were recipients of charity. As the Executive-Secretary of the Economic Commission for Latin America had said, although progress had been made in identifying and understanding the problems of the developing countries, experience showed that until practical measures were taken, export revenues were increased and technical and financial co-operation had become a matter of routine, it would be impossible to form capital, train manpower and introduce production techniques for increasing the levels of employment, productivity and income. Only outside finance on reasonsable terms would enable those goals to be achieved.

39. Of the several texts dealing with external financing, the most important was General Assembly resolution 2170 (XXI) of 6 December 1966. The resolution dealt with all aspects of external development finance and had been drawn up with great care. Disappointment that the targets for long-term capital flows and official grants-in-aid had not been reached was equally great. A further disquieting feature of the United Nations Development Decade was that in recent years there had been a decrease in public aid to the developing countries as a percentage of the national income of the industrialized countries. Economic and Social Council resolution 1183 (XLI), which was contained in Assembly resolution 2170 (XXI), urged the developing countries to make all possible efforts to increase the mobilization of their domestic resources to the fullest possible extent and recommended the developed countries to take urgent appropriate action to meet the objectives set out in United Nations resolutions and recommendations. Operative paragraph 3 (a) and (b) of the Council resolution urged the developed countries to increase their aid and to ease the terms and conditions on which it was granted. Unfortunately, the response to the resolution had been negative. Even worse, while the need for external aid for development had increased, bilateral and multilateral co-operation with the poorer countries was still inadequate notwithstanding the United Nations resolutions.

40. In view of the indifference shown by all but a few of the developed countries, it was difficult to see what could be done during the present session to implement earlier decisions designed to meet development needs. External financing of economic development of the developing countries was an item which should be discussed in the context of the global strategy to be approved for the next Development Decade. Otherwise the Committee might adopt a decision which at best would be out of line with the feasible targets that were needed, together with the firm political will of the developed countries and the maximum individual efforts of the developing countries for the success of the next Development Decade.

41. Mr. PATRIOTA (Brazil) recalled that the flow of capital to developing countries had been under consideration by United Nations bodies since 1950 and had become the responsibility of the Economic and Social Council under General Assembly resolution 400 (V) of 20 November 1950. The spirit of that resolution had been reaffirmed in General Assembly resolutions 1522 (XV), 1710 (XVI), 2276 (XXII) and in the recommendations of the second session of UNCTAD,[2] which had set various targets for development assistance and had called for an improvement in lending terms. Unfortunately, those targets had not been met. Indeed, expressed as a percentage of the gross national product of the developed countries, there had actually been a reduction in foreign aid between 1961 and 1964, and it was still below the 1 per cent target. In absolute terms, the contrast was worse: while their gross national product had grown at a rate of $90,000 million *per annum*, foreign aid showed an increase of only $200 million. The terms of lending presented an equally gloomy picture: interest rates were higher and repayment periods shorter. One result of that double failure was that since the 1950s the debt-service ratio had more than doubled to 9 per cent, and the foreign exchange liquidity of the developing countries had declined.

[1] Document E/CN.14/415.

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

42. It had been hoped that the second session of UNCTAD, would improve the situation, but although methods for defining the 1 per cent target, accepted by several countries led by Canada and Sweden, had been worked out, no agreement had emerged as to when that target should come into effect and, as a result, the report of the second session of UNCTAD[3/] was more a declaration of intent than a binding commitment. Developed countries, which made the mobilization of internal resources a prerequisite for increased aid, did not need to convince the developing countries that they bore the primary responsibility for their development. What was really needed was a sound combination of national and international efforts. Many developing countries had recently taken steps to improve the climate for foreign capital. Brazil, for instance, had concluded agreements on the avoidance of double taxation with capital-exporting countries. But the main problem, emphasized by the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD), UNCTAD, the Economic and Social Council and more recently in the report of the International Bank for Reconstruction and Development,[4/] still lay in the downward trend of external financing from developed countries and the increase in debt accumulation and servicing. One solution was to make more public capital available to international financial institutions and regional development banks like the Inter-American Development Bank, which had a successful eight-year record. It was equally important that the coffers of the International Development Association (IDA) should be replenished and that its lending policy should be modified so that its funds could also be made available to developing countries with higher per capita incomes in certain cases, for example, when their level of indebtedness prevented them from accepting non-concessional aid, when long-term investment was involved, or when there was uneven regional development affecting a large sector of the population. In Brazil, for instance, there was a case for treating its poor north-east region, with 30 million people and a per capita income of approximately $100, on the same footing as countries at a similar stage of development. Also commendable were the proposals that the World Bank should be transformed into a development bank for the developing countries and that international lending institutions should not discriminate against nationalized industries. Those and may other related proposals needed further study, but there was no doubt that the World Bank and its affiliated bodies should play their part in financing buffer stocks of primary commodities and in solving the interest equalization problem.

43. Although it was possible to put forward all sorts of new plans and proposals, it was far more important at the present time to implement those already in existence which were perfectly adequate for achieving some improvement. The immediate steps should include the replenishment of the funds of IDA and, generally speaking, softer lending terms. Finally, it was greatly to be hoped that the General Assembly would succeed in putting the United Nations Capital Development Fund into operation, since there was a vital need to increase direct capital investments that had no political strings attached.

The meeting rose at 6.10 p.m.

[3/] Ibid.

[4/] International Bank for Reconstruction and Development and International Development Association, Annual Report, 1968 (Washington, D.C.), transmitted to members of the Economic and Social Council by a note of the Secretary-General (E/4593).

Litho in U.N. 77201—March 1970—2,275