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President: Mr. Leopoldo BENITES (Ecuador).

AGENDA ITEM 7

**Study of the problems of raw materials
and development (continued)**

1. Mr. HAMMADI (Iraq): Mr. President, in the name of my country's delegation I should like to congratulate you on your election to preside over this important session of the United Nations.

2. I should like to express our gratitude for the timely initiative taken by the President of the People's Democratic Republic of Algeria, Mr. Houari Boumediène, in calling for this historic meeting.

3. It has now become obvious that the present international economic order has caused a basic imbalance in the world economy. Hence it has failed to cope with the mounting difficulties currently facing the world. This calls for an urgent reconsideration of the present system with a view to ensuring a balanced and equitable growth of world economy in which no nation or group of nations will prosper at the expense of other nations. To be fruitful, such a reconsideration of the world economic system has to be undertaken on the basis of universality and the equality of all nations, and due regard must be given to the interests of all developed and developing countries. Otherwise, if this reconsideration is directed or controlled in any way by certain countries or a group of countries, it would be doomed to failure. This special session of the United Nations offers the international community an important opportunity for the formulation and eventual adoption of new bases for reforming international economic relations.

4. I may here refer to the letter of 23 January 1974 of the President of Iraq, Sayed Ahmed Hassan Al-Bakr, in reply to President Richard Nixon's message of 9 January 1974, concerning the relations between the energy-consuming and the energy-producing countries. In this letter, President Al-Bakr stressed the importance of discussing energy problems in conjunction with other aspects of the world economic order and well-being. He therefore concluded that the proper place to discuss these matters was within the United Nations and its specialized agencies as the United Nations is the legitimate body which carries the

responsibility of providing for a sound and ever-growing international economic order.

5. The United Nations has made several valuable attempts in this direction. Since its creation in the early 1960s the United Nations Conference on Trade and Development [UNCTAD] has been trying to make the international community face up to its responsibility vis-à-vis the basic problem of the ever-widening gap between the rich and the poor nations and has been emphasizing the responsibility of the developed countries in reducing this gap.

6. It is a well-known fact that the terms of trade of the developing countries have been deteriorating to the benefit of the developed nations. The gap between the prices of manufactured and semi-manufactured goods, on the one hand, and the prices of primary commodities, on the other, has been widening.

7. From 1954 to 1970 the export price index of the developing countries remained constant, whereas their import price index increased by 13 per cent. According to a study made by UNCTAD, which covered the trade of 87 developing countries, the relative price movement caused those countries a net adverse balance in their terms of trade of 12 per cent. This deterioration has had an adverse effect on their rate of economic growth because these inequitable trade relations resulted in a transfer of wealth to the developed countries.

8. Another example of the impediments international trade policies have placed in the way of the development of the developing countries is the tariff and non-tariff barriers imposed by developed countries on the exportable products of developing nations. Protective measures, direct or indirect, the importation of duty-free raw materials, high tariffs on imported manufactured goods, the development of synthetics as substitutes for natural raw materials are all examples of deliberate policy measures adopted by developed countries to the detriment of the trade of developing nations.

9. The adverse terms of trade of developing countries have been further aggravated by the chronic inflation generated in the industrialized countries. Long-term inflationary trends have been exported to developing countries, thereby further straining their balances of payments.

10. The rate of inflation has increased greatly within the last two years. The wholesale-price index of the industrialized countries in 1972 showed a rate of increase of 4.3 per cent over 1971, compared with an 11.9 per cent increase in 1973 over 1972.

11. The rates of inflation are even greater if considered from the aspect of the import bill of developing countries.

In Iraq, for example, import prices have been rising at rates much higher than the average rates of inflation in developed countries. Prices of certain major items of Iraq's imports—such as wheat, sugar, steel, timber, construction materials, chemicals, electrical appliances and equipment, equalling almost 40 per cent of the value of the country's total imports—have almost doubled between 1972 and 1973.

12. The economic growth of developing countries is further impeded by problems arising from the transfer of technology. The adverse effects of such transfers on the developing countries are measured not only by increased costs, which further burden the balance of payments, but also by the restrictions and obstacles imposed on the transfer of technology.

13. The petroleum-exporting countries are no exception to these inequitable international economic relations. Although they are in a relatively better position than other developing countries regarding foreign-exchange availability, the extent of loss in their wealth was even greater because of the pattern of oil exploitation. The exploitation of oil resources in virtually all petroleum-exporting countries has been dominated by a few major international oil companies which have controlled the bulk of oil production and trade.

14. Monopolistic control over all phases of the international petroleum industry meant that there was no real market for crude oil as a commodity, since crude oil had been handled by those major oil companies through their subsidiaries within the internal channels of their integrated operations. Consequently, the mechanism of pricing crude oil at the production stage was more a means of allocating cost and profits to these companies than a means of setting crude oil's true economic value.

15. A concerted effort on the part of international oil companies and the Governments of developed oil-importing countries resulted in the erosion of crude oil prices from the end of the Second World War to 1970. During that war, the posted prices of crude oil in the Arabian Gulf were equal to the posted prices of similar crudes in the Gulf of Mexico. By 1948 the ratio of the average posted price of 34 degree API Arabian light crude oil f.o.b. Ras Tanura to the price of crude oil with the same gravity f.o.b. the Gulf off the United States became 0.76, and in 1961 the ratio declined even further, to 0.54. Even in absolute terms, posted prices f.o.b. the Arabian Gulf have declined by almost 20 per cent during the period from 1947 to 1961. Were it not for the creation of the Organization of Petroleum Exporting Countries [OPEC] in September 1960, this trend would have continued.

16. This artificial crude-oil price mechanism has resulted in huge losses to petroleum exporting countries. If we assume that crude oil prices in the Arabian Gulf were maintained at the same level as prices in the Gulf off the United States, the loss could be estimated at around \$58,000 million for the period from 1950 through 1970. However, if we assume that crude oil prices were kept constant at the 1947 level, the estimated loss would be around \$15,000 million.

17. The oil-exporting countries did not, however, receive fully even these artificially depressed prices. The system of

oil concessions made the Government's share of every exportable barrel of crude oil only part of that price. Royalties and taxes levied by Governments constituted a ratio of the posted price. That ratio was 50 per cent in the early 1950s and became 60 per cent in the early 1970s, taking into account the cost of production.

18. The losses of those countries have been further aggravated by the increased cost of their imports from the industrialized countries. According to UNCTAD estimates, the import price index of the major petroleum-exporting countries increased by 14 per cent between 1954 and 1970.

19. The impoverishment of the oil-exporting countries has been due not only to the adverse terms of trade and the loss of income to the industrialized oil-importing countries, but also to the transfer of wealth from producing countries to developed oil-consuming countries as a result of "downstream" operations.

20. In 1972, refined oil products accounted for about 14 per cent of the total oil exports of OPEC members. If we exclude the Caribbean area, which is a special case, this percentage drops to about 6 per cent. Prior to the Second World War, the bulk of the oil trade was in the form of refined oil products, as the world refining capacity was located near crude-oil production sites. This trend was the result not only of pricing policies, but also of deliberate measures on the part of developed oil-consuming countries. These measures ranged from direct pressure and intervention in the construction of refineries in consuming areas to restrictions on the import of refined petroleum products. In fact, the importation of crude oil in most developed oil-importing countries is duty-free, whereas the importation of refined products is subject to protective measures and import tariffs.

21. In addition to being an important factor in the post-war prosperity of Western Europe and Japan, artificially depressed crude oil prices led to the fast depletion of oil resources, and this has, among other things, resulted in the energy crisis. Cheap crude oil also permitted the Governments of developed oil-importing countries to levy high domestic taxes on oil products, taxes which far exceeded the revenues of oil-exporting countries. According to a study made by OPEC, the share of the oil-exporting countries in the average prices paid by the final consumer in Europe in 1967 was only 7.9 per cent, whereas the share of the consuming countries, in the form of taxes, in that price was 47.5 per cent.

22. The oil companies were reaping exorbitant amounts from the wealth generated by the oil trade. The profits of seven major oil companies, during 1973 alone, amounted to over \$US 8,000 million, mostly from operations outside the United States. This amount is greater than the total of cumulative investments by oil companies in the Middle East from 1954 to 1970. According to published data, the figure representing oil company profits could be better assessed by examining the net book value of the companies' assets in the Middle East, which stood at \$US 1,340,000 million in 1970.

23. These anomalies cannot be permitted to continue. The petroleum-exporting countries have the right to their

rightful share of the wealth created by the oil trade. They have had to assume the responsibility of protecting their wealth and establishing a new relationship based on a fairer distribution of oil wealth. Since the Teheran Agreement in February 1971 a series of steps have been taken towards the realization of this objective.

24. In this respect, OPEC's collective action and solidarity proved to be valuable for the attainment of the common objectives of its member countries. In addition, we in Iraq had to resort to legislation to control and eventually nationalize concessionary oil operations in our country. This, in our experience, was the only way to exercise effectively our sovereign rights over our oil resources. I might add here that, because of our efforts to achieve national control over our oil wealth, we were subjected to various types of pressure by the monopolistic oil companies which adversely affected Iraq's economy. The success of Iraq in the confrontation with the oil companies was possible only through great sacrifices on our part.

25. The combined result of all the developments that have taken place in the international oil industry has been the weakening of the concession system and the strengthening of the role played by national oil companies in OPEC member States. These companies have been taking an increasingly active part in the oil trade independently of the international petroleum cartel. Iraq, for example, is currently marketing four fifths of its oil exports directly in the oil market through the Iraq National Oil Company.

26. For these reasons oil prices have started to have real economic meaning.

27. It is the desire of all commodity producing countries to diversify their economies and accumulate capital. Oil depletion is a foreseeable reality. It is the intention of the oil-exporting countries to use this oil in their "bid for growth". Basically, oil is the only product they offer the world market, and it represents their only chance to achieve economic development.

28. In fact, the absorptive capacity of oil-exporting countries, as measured by the size of investment or the value of imports, can be enlarged in time through investments in human capital. Investment capacity could be further increased through the transfer of modern technology. Indeed the establishment of up-to-date industries requires large imports of capital goods and leads to a higher rate of growth and greater diversification in domestic production procedures.

29. Iraq, with a low *per capita* income, has set itself ambitious development objectives. For the financial year 1974/1975, for example, the allocations for development amounted to about \$US 4,000 million, in addition to Government current expenditure, which amounts to about \$US 2,200 million, an important part of which goes for human and social development. It is expected that greater funds will be required to accelerate the process of economic and social development in Iraq in the future.

30. Arab oil-exporting countries' investment capacities for development could be viewed not only from the angle of the needs of those countries alone, but also as part of the

requirements of the whole Arab world. The Arab countries suffer, as a group, from severe problems of economic and social under-development. Many of them suffer from high rates of illiteracy. Indeed, some, like Yemen, Sudan and Somalia, are classified by UNCTAD as "hard-core least developed countries". Others, like Egypt, suffer from serious demographic problems and capital shortages.

31. Furthermore, the Arab world has problems related to national security and defence which necessitate collective effort and responsibility. This collective political responsibility places a heavy burden on the financial resources of the Arab oil-exporting countries. This has been clearly demonstrated during the last war in the Middle East.

32. As the oil-exporting countries take over from foreign companies the production processes involved in the oil industry, their ability to invest will be enlarged, as they will create a larger modern sector. Thus the vicious circle of "small modern sector-small absorptive capacity-small modern sector" will be broken.

33. Much has been said about the disruptive effects of higher oil prices on the international economy. It is often argued that the increased level of oil prices would engender inflationary trends in developed economies and have adverse effects on their long-term economic growth. But increased rates of inflation were observed prior to the recent increases in oil prices. Inflation can be motivated by either cost-push or demand-pull.

34. In regard to the cost side, oil prices constitute only a small fraction of the total production costs of finished goods. According to a study made by the Common Market in 1966, the cost of energy from all sources accounts for only 4 to 6 per cent of the total cost of exported goods, and there is an even lower percentage of direct energy costs in total industrial output. As a result of the sharp increases in oil prices, this percentage may have risen. But it is apparent that the energy component of the total cost structure is still too negligible to provoke, by itself, the existing inflation. As a matter of fact, no increase in the price of oil, which is only one source of energy, can cause all these inflationary pressures.

35. In most Western European countries, taxes levied on petroleum products are in the region of \$US 10 per composite barrel, a figure still much higher than the current Government share per barrel in the Arabian Gulf. Consequently, all price increases could not only be absorbed but could also be reversed through cuts in tax rates on petroleum products in those countries. In other words, inflation, if it is related to increased energy costs at all, could easily be checked in those countries by tax cuts.

36. Other components of cost structure in developed economies play a far more important role in aggravating inflationary trends. Wage bills, which in general represent the highest single cost component, have been substantially increasing. High profit margins have also played an important role in pushing inflation through cost. At the same time, inflation is caused by the pull of excess demand, which, coupled with the push of cost, leads to galloping inflation and the spiral of price-wage-profit rises in the developed market economies. Excess demand is a factor behind economic expansion in these countries.

37. It is also argued that oil prices have an adverse effect on the balance of payments of the developed countries. While in the long run that problem does not exist because of the very dynamic nature of developed economies, it has some impact in the short term. However, increased oil revenues resulting from increased oil prices will in one way or another be recycled to the developed economies. All developed countries will benefit from the increased import bills of the oil-exporting countries. In addition to the benefit obtained from this form of recycling funds, many developed countries will gain from the investment of oil surpluses in their financial and capital markets. The increased profits of the oil companies will also help to strengthen the balance of payments of their respective mother countries.

38. As for the developing countries, a real problem exists and requires earnest and genuine international co-operation. It must be recognized, however, that the problems of development are not directly related to oil prices. In fact, the widening gap between the developed and the developing countries is mainly the product of the present inequitable system of international trade. In that context, the responsibility of helping those countries to overcome the obstacles to their development belongs to the whole world, especially to the developed countries themselves, since it is those latter countries which have been benefiting from international trade at the expense of the developing countries.

39. While oil-exporting countries recognize that higher oil prices have brought additional strains to the balance of payments of the developing countries, the fact remains that the basic problem of the chronic external imbalances of those countries is caused by structural factors related to the inequitable system of international trade.

40. The responsibility of establishing a sound and healthy economic order should be shared by the entire international community. Oil-exporting countries may be called upon to help our developing countries with credit facilities to alleviate their short-run imbalances and to encourage the development of their domestic energy sources and/or their export sectors.

41. More important is the need for drastic measures to be taken with a view to redirecting the international economic system towards equity. In that respect, the General Assembly in its International Development Strategy for the Second United Nations Development Decade [*resolution 2626 (XXV)*], the Lester Pearson Commission recommendations,¹ the second and subsequent sessions of UNCTAD, have recommended that

“each economically advanced country should endeavour to provide annually to developing countries financial resource transfers of a minimum net amount of 1 per cent of its gross national product (GNP) at market prices in terms of actual disbursements”,²

¹ See *Partners in Development: report of the Commission on International Development* (New York, Praeger Publishers, 1969).

² See *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I and Corr. I and Add. I, *Report and Annexes* (United Nations publication, Sales No. E.68.II.D.14), p. 39.

out of which 0.7 per cent of the gross national product should be in the form of official development assistance.

42. Although that recommendation was agreed upon in principle by developed countries, neither the 1 per cent nor the 0.7 per cent target has been met. As a matter of fact, the ratio of official development assistance decreased from 0.36 per cent in 1969 to 0.34 per cent in 1972. That is less than half the target of 0.7 per cent.

43. It is essential that the industrialized nations avoid any race to export inflation. The responsibility for stabilizing prices in international trade rests with the major industrial countries, in whose economies inflationary pressures are generated. Those pressures, if continued, would leave developing countries, including oil-exporting countries, with no choice other than to strive to attain an equitable price for their exports.

44. The problem of international development requires that the developed countries adopt new trade policies aimed at providing better access to their markets for the exports of developing countries. Likewise, it is long overdue for the developed countries to remove various trade barriers and to extend facilities for the speedy transfer of modern technology to the developing countries.

45. Reform of the international monetary system in the direction of greater stability is becoming an increasingly pressing problem for developing countries. Monetary fluctuations and currency realignments are causing a further deterioration in the terms of trade of developing nations. The General Agreement on Tariffs and Trade [*GATT*] has shown that the currency realignments of 1971 caused an increase of 5.5 per cent in the unit value of the exports of the industrialized countries. A greater share in international liquidity, such as the special drawing rights for developing countries, is also needed.

46. For several oil-exporting countries whose present earnings exceed the current level of their investment capacity, there is an immediate need for an international economic and monetary system whereby oil-exporting countries will not be inhibited from expanding output due to the lack of adequate investment opportunities. The purchasing power of the assets held by oil-exporting countries has been declining through changes in the exchange rates of key currencies and through inflation in developed countries, apart from the impact of inflation on their terms of trade. Assets free from the risk of default or erosion by inflation, assets which guarantee a relatively stable purchasing power and offer an attractive interest rate, present justifiable alternatives to keeping the oil underground.

47. Oil-exporting countries have already started taking measures to solve some of the short-term balance-of-payments difficulties of other developing countries. They are also making valuable contributions to development aid. Iraq, for example, has committed itself during 1974 to an estimated contribution of about \$US 500 million, mostly in the form of grants and soft loans, through bilateral agreements and regional and international institutions. That amount constitutes about 10 per cent of its estimated 1973 gross national product in current prices.

48. The required change in the international economic order is perhaps difficult to achieve. We know from past experience that the efforts made by the United Nations and especially UNCTAD to correct the present inequitable international economic system did not lead to positive and tangible results. Such a change is urgently called for in order to secure peace and prosperity among nations. Peaceful co-existence could not actually prevail unless international economic relations are laid down on equitable bases.

49. What I have said leads me to the following conclusions and suggestions which Iraq, as a Member of the United Nations, presents to the esteemed Assembly for its consideration.

50. First, the principle of the sovereignty of every State over its natural resources, though recognized and repeatedly affirmed by the United Nations, is often disregarded and violated by big Western Powers and their multinational and monopolistic corporations whenever the developing countries begin to exercise their sovereign rights over their natural resources. Our experience as one of the developing countries suggests that the only effective way to implement that principle is through the liquidation of the concessionary system under which the large multinational corporations exploit the natural resources of the developing countries. Neither technically nor economically has the concession system any justification.

51. The international community is, therefore, called upon to take such measures as will help the developing countries to exercise their rights of sovereignty.

52. Second, one of the striking imbalances that characterizes the present world economic system is the disparity between developed and developing countries as far as the organization of production and trade is concerned. In the developed countries the oligopolistic groupings of the large multinational industrial firms are getting so strong as to be the main feature of their economies and this is reflected with overwhelming clarity in their economic relations with the developing countries. In contrast, the raw-materials exporting countries are working individually and have not yet succeeded in establishing a co-ordinated system for collective action. The only successful experience in this respect is the OPEC. Thanks to its recently adopted approach of co-ordination and collective action OPEC succeeded in defending the legitimate rights of its member countries. OPEC's experience shows that it is only by a collective approach to matters of common interest that the raw-materials exporting countries can counterbalance the oligopolistic groupings in the industrialized capitalistic countries.

53. Third, we believe that direct relations between the developing raw-materials exporting countries and the industrialized developed countries could be established for the mutual advantage of both if, through such relations, the trade in raw materials is linked to the development of the raw-materials exporting countries. Iraq has on many occasions advocated such an approach, which could be realized through bilateral or multilateral long-term State-to-State agreements. Such agreements could be instrumental in securing for the industrialized countries continued supplies

of raw materials and for the raw-material exporting countries the supply of capital goods, the transfer of technology and access to the markets of the industrialized countries.

54. The industrialized countries are also called upon through this kind of relationship to assist the developing countries to accelerate the processing of an increased portion of their raw materials within their territories.

55. Fourth, developing countries whose economies have been adversely affected, especially in the short-run, by the general price increase of various commodities including energy, need short- and long-term assistance. Such assistance can best be mobilized through international co-operation and by strengthening regional financial institutions in Asia, Africa, and Latin America, as well as by OPEC's special fund. We believe, however, that the industrialized countries can assume a major responsibility in providing those institutions with the required funds.

56. Fifth, the industrialized countries are urgently called upon to devise anti-inflationary measures for the stabilization of international trade; a lasting reform of the international monetary system is also highly needed.

57. Sixth and finally, we believe that economic co-operation among the developing countries on bilateral or regional bases is an effective means of enhancing their economic development. Expanded trade between the oil-exporting countries and the other developing countries can become a positive factor for economic growth. This would not only accelerate development in both countries exporting oil and those exporting other raw materials, but it could also help to mitigate the adverse effect of oil price increases on the balance of payments of the latter.

58. Mr. RINCHIN (Mongolia) (*translation from Russian*): First of all, Mr. President, may I be permitted on behalf of the delegation of the Mongolian People's Republic to congratulate you on your unanimous election to the high office of President of the sixth special session of the General Assembly and to express the hope that under your able guidance, which we witnessed during the last session of the Assembly, the present session will successfully deal with the task before it.

59. The Government of the Mongolian People's Republic supported the proposal by the President of the People's Democratic Republic of Algeria for convening a special session of the United Nations General Assembly to discuss problems of raw materials and development because we felt that it reflected the legitimate desire of the developing countries to achieve and consolidate economic independence, to democratize international economic relations and to protect their interests against the encroachments of imperialism and neo-colonialism.

60. The current session quite properly commands the attention of world public opinion, since it is the first in the history of the United Nations that is specially devoted to the discussion of international economic problems.

61. The present process of détente, which has become possible primarily as a result of constructive and purposeful

actions by the socialist countries as well as active efforts by all peace-loving States, creates favourable conditions for achieving a positive solution of one of the paramount problems of our time—that of development.

62. In these circumstances, it is most important to supplement political détente with military détente. This will promote the growth of trust and mutual understanding among States, the expansion of mutually beneficial economic co-operation and the release of substantial resources to meet the needs of the developing countries so that all States may benefit from the process of over-all improvement in the international climate which has now begun.

63. In this connexion, my delegation wishes to emphasize the urgent need to implement the decision of the twenty-eighth session of the General Assembly on "Reduction of the military budgets of States permanent members of the Security Council by 10 per cent and utilization of part of the funds thus saved to provide assistance to developing countries" [*resolution 3093 (XXVIII)*].

64. The agenda of the present session deals with one of the key problems of the present-day world.

65. The Economic Declaration of the Fourth Conference of Heads of State and Government of Non-Aligned Countries, held at Algiers in September 1973, contains the following passage:

"The Heads of State or Government of the non-aligned countries noted that imperialism is still the greatest obstacle to the emancipation and progress of the developing countries which are struggling to achieve standards of living compatible with the most basic standards of well-being and human dignity. Imperialism not only hampers the economic and social progress of developing countries but also adopts an aggressive attitude towards those who oppose its plans, trying to impose upon them political, social and economic structures which encourage alien domination, dependence and neo-colonialism."³

We fully share that view.

66. Capitalist economic relations, whose motive force is the desire to maximize profits, have arisen through the subjugation and exploitation of weaker countries by stronger ones, the enslavement of hundreds of millions of people and the transformation of whole continents into colonial appendages.

67. Colonial and imperialist domination turned many countries into suppliers of raw materials and food-stuffs with one-sided, single-crop economies, which have essentially persisted up to the present day. This sort of narrow specialization by the developing countries has a very adverse effect on their economies and makes them extremely vulnerable to even the slightest fluctuations in the world capitalist market.

68. The unequal capitalist division of labour, the disproportionate export prices for manufactured goods and raw materials, the appropriation by foreign monopolies of a

substantial part of the income of the third-world countries—all these factors hold up the process of capital accumulation, impede the expansion of domestic markets and slow these countries' economic and social progress.

69. The position of the developing countries is further complicated by the protectionist policy pursued by the developed capitalist countries. Artificial restrictions on the export of manufactured and semi-finished goods from the developing countries adversely affect their industrialization process.

70. The chronic instability and the sharpening of the crisis in the capitalist monetary system have been another severe blow which has been felt most keenly by the economies of the developing countries.

71. The outward expansion of monopoly capital remains one of the main instruments of imperialist exploitation of the natural and human resources of the less developed countries. Neo-colonialism seeks by every possible means to maintain its economic enslavement of the peoples of the liberated countries and to secure a firm grip on sources of raw materials and markets—in other words, to achieve, as Lenin put it, economic annexation without political annexation. In doing this, the monopolistic circles of the imperialist Powers are taking advantage of the developing countries' inadequate financial resources and of their objective needs.

72. Particularly significant in this regard are the activities of the transnational corporations, which are creating a real threat to the sovereignty of the developing countries and impeding their attainment of economic independence.

73. As a result of their economic domination by imperialism, the position of the developing countries as a whole is continuing to deteriorate, as is attested by the review and appraisal of the Strategy of the Second Development Decade.⁴

74. Many developing countries show an extremely low rate of growth in national income, their foreign indebtedness is increasing and the problem of mass poverty and unemployment is becoming more acute.

75. All this indicates that it is urgently necessary to take action aimed at drastically restructuring the capitalist division of labour in the interests of the developing countries, improving their terms of trade, easing their foreign debt burden and increasing the flow of financial and technical assistance from the former metropolitan countries, which bear the main responsibility for the economic backwardness of the developing nations. It is particularly important to provide the developing countries with broad access to scientific and technical advances, to facilitate the transfer of modern technology. It is essential for the developing countries to improve their position in invisible exports, particularly as regards maritime freight and the granting of preferential treatment for the transit of goods from land-locked countries.

⁴ *The International Development Strategy—First Over-all Review and Appraisal of Issues and Policies: report of the Secretary-General* (United Nations publication, Sales No. E.72.II.A.6).

³ See document A/9330 and Corr.1, p. 58.

76. In the light of our own experience, we should like to note the importance of domestic factors such as the introduction of far-reaching socio-economic reforms, the democratization of economic life and the maximum mobilization of human and material resources. We also have a first-hand appreciation of such urgent problems of the developing countries as that of reforming the financial and fiscal system, that of ensuring a more even distribution of national income and that of strengthening national sovereignty over natural resources.

77. The fundamental position of the Mongolian People's Republic on the question of ensuring the socio-economic progress of the developing countries has been repeatedly stated in various forums and reflected in United Nations documents, particularly in the joint declarations by eight socialist countries on the Second Development Decade, presented at the twenty-fifth⁵ and twenty-eighth sessions⁶ of the General Assembly, in UNCTAD documents TD/B/4407 and TD/154,⁸ and in the joint draft resolution of nine socialist countries at the twenty-seventh session of the General Assembly entitled "Statement by the United Nations on promoting the development of co-operation in economic, trade, scientific and technological matters on the basis of equality".⁹

78. The Mongolian People's Republic expresses its support for the efforts aimed at establishing new international economic relations which will promote the emancipation of peoples from imperialist oppression, the conquest of backwardness and the acceleration of economic and social progress in the developing countries.

79. Profound shifts brought about by the formation and consolidation of the world socialist system have drastically altered the over-all political complexion of the modern world. There have been fundamental changes in the whole system of contemporary international relations, including the sphere of economic development and the international division of labour. Two competing economic systems—the capitalist and the socialist—now exist side by side, each developing in accordance with the laws inherent in the given type of economy.

80. At a time when the world-wide capitalist system is suffering one recession after another, when it is increasingly characterized by uneven development and instability, and when certain segments of the capitalist system are in a state of profound crisis, the economies of the socialist countries are achieving higher growth rates year after year and improving their position in the world economic system.

81. The existence of the world socialist system, curbing the aggressive ambitions of imperialism and providing all-round assistance and support to the developing coun-

tries, is exercising a decisive influence on the entire historical development of mankind.

82. Those who attempt to slander and defame the Soviet Union and other socialist countries, the dependable allies of oppressed peoples, those who attempt to block the positive changes in the international climate and the consolidation of the spirit of mutual understanding and co-operation are in effect setting themselves against the vital interests of the developing countries.

83. Economic relations among the countries of the socialist community are based on the principles of respect for independence and sovereign equality, all-round co-operation and fraternal mutual assistance. Relations of this kind have become a reality and a norm among the member countries of the Council for Mutual Economic Assistance [CMEA].

84. My country, which this year is celebrating the fiftieth anniversary of the proclamation of the Mongolian People's Republic, travelled the road from feudalism to socialism, bypassing the capitalist stage of development, in what is in historical terms a relatively brief period. Such decisive changes within a single generation were possible because our people, in its struggle to consolidate its national independence, overcome the heritage of colonialism and feudalism, and build a new economy and culture, could rely above all on the unselfish aid and support of the Soviet Union.

85. Fruitful co-operation with the Soviet Union and the fraternal socialist countries enables us to carry out successfully a large-scale programme calling for industrialization, the intensification of agriculture, the strengthening of our scientific and technical potential and the training of skilled personnel.

86. The comprehensive programme for the socialist economic integration of the member countries of CMEA attaches great importance to the provision of all-round assistance to the Mongolian People's Republic by fraternal countries with a view to further accelerating its economic, scientific and technical development.

87. The strengthening of the international economic position of the countries of the socialist community brings with it an expansion of their co-operation with the developing countries, which assists the latter in their struggle for economic independence.

88. One of the positive elements in the development of contemporary international economic relations is the process of improvement and expansion of commercial and economic ties among States with different social systems. The normalization and development of broad, mutually beneficial economic relations between the socialist and capitalist countries is an effective means of strengthening the spirit of détente and overcoming the regressive tendencies in international relations.

89. The United Nations, under the provisions of its Charter, is called upon to do everything it can to create the conditions of stability and well-being which are so essential to peaceful, friendly relations among nations. Credit should be given to the efforts of the United Nations and its specialized agencies to assist the developing countries in

⁵ See *Official Records of the General Assembly, Twenty-fifth Session, Annexes*, agenda item 42, document A/8074.

⁶ See document A/9389.

⁷ See *Official Records of the General Assembly, Twenty-eighth Session, Supplement No. 15*, part one.

⁸ See *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.73.II.D.4), annex VIII.G.

⁹ See *Official Records of the General Assembly, Twenty-seventh Session, Annexes*, agenda item 12, document A/8963, para. 38.

solving the problems they face in their social and economic development and in alleviating the plight of millions of people suffering from starvation and poverty. At the same time, there is clearly a need for further increasing the effectiveness of United Nations activities in the field of international economic co-operation.

90. In our opinion, it is essential to concentrate United Nations efforts and material resources on key problems, to eliminate duplication and overlapping in the work of various organs, committees and commissions, and to establish strict and clear-cut priorities for their activities.

91. In conclusion, I should like to express the hope that the present special session of the General Assembly will make a definite contribution to the development of international economic co-operation based on the principles of equality, mutual benefit and respect for sovereignty. The accomplishment of this task, we believe, will unquestionably promote the realization of the fundamental purpose of our Organization—the maintenance of international peace and security.

92. Mr. YAMANI (Saudi Arabia): The sincere and tireless efforts of President Houari Boumediène of Algeria have been crowned with the success they deserve. It is in response to his call that this Assembly is meeting today, and to him goes the credit for the fact that some of the world's most serious problems are at last getting the international community's collective consideration that they so urgently need. On behalf of myself and the delegation of the Kingdom of Saudi Arabia, I extend to the Algerian President warm congratulations.

93. I also wish to extend to you, Mr. President, my congratulations on your re-election to preside over the present special session of the General Assembly.

94. For the first time in its history, the General Assembly of the United Nations is holding a special session to deal with the problems that are of a purely economic nature. This is so in spite of the fact that political factors have a clear role to play in these problems and could render them infinitely more complex unless serious and practical attempts are made to find solutions, even if gradual and phased solutions.

95. We are assembled today to discuss the problems associated with economic development and raw materials. On close examination we discover that development alone is a general subject that entails four main elements: (a) raw materials, including energy; (b) capital; (c) technology; and (d) markets. Thus, it is clear that the discussion of development, viewed from an angle as wide as this, would extend to include the subjects of raw materials, the energy crisis and prices. Indeed the discussions would go even further to include inflation, balance-of-payments problems, the monetary crisis, and all the other ills that we see besetting international trade today.

96. The advanced industrial nations have long been able to dominate and monopolize, directly or indirectly, the four elements of development that I listed above. Being the owners of capital and technology, those nations were enabled, through their international companies, to dominate the sources of raw materials and energy and to place

these elements at the disposal of their own industries, which in turn controlled their markets throughout the world, allowing no outsider to approach them.

97. On the other hand, the countries of the third world, or the developing countries, devoid of capital and technology, had no real power over the raw materials or sources of energy of which, in many cases, they were the rightful owners. Their role in the international economic game was merely that of exporter of raw materials and energy at unrealistically low prices, the supplier of cheap labour, and as an open market for the manufactured goods that inundated them, making it impossible for them to establish industries in their own territories except within the narrow limits permitted by the advanced industrial countries.

98. Like most raw materials, oil is mostly owned by the countries of the third world, while its production and marketing had been controlled to varying extents by the industrial countries through their international companies. The developed countries, whose very economies had been based upon cheap energy, were blinded by selfish and short-sighted interests and, casting aside all caution and principles of justice that would be deemed necessary by sound political sense, they pursued a price policy that was destined to rebound on them.

99. Instead of following the trends of the international prices for other commodities, the prices of oil started to fall in 1948. They continued in their decline until the oil-producing countries joined together and formed the OPEC. Oil prices stopped declining after August 1960, but they remained frozen at the level they reached at that time until the end of 1970. After that they rose a little to a level that was still lower than their level in 1948.

100. The developed countries' irresponsible price policies had not only the effect of oppressing the producing countries economically; they also proved to be very harmful to the developed countries themselves, as we are witnessing today. They led them to build their economies on the wrong premise, making them depend on unrealistically cheap energy. As a result, those countries failed to search for new sources of energy and, as though oil could never be depleted, they continued to use it wastefully.

101. Then suddenly the truth dawned upon the world. There were only finite reserves of oil in existence, and it was no longer possible to continue consumption at the old levels. The world had either to economize in using oil and search for alternative and complementary sources of energy or face an economic downfall with the turn of the century. The developed countries with vested economic interests tried to conceal these realities or at least to neutralize their effects. However, the laws of supply and demand made the market a seller's market and enabled the producing countries to protect their interests. They opened the way to the international petroleum industry for the producing countries, which succeeded in nationalizing or participating in the oil industry on their territories. Then there followed certain circumstances and a series of political and economic events which combined to give the majority of the producing countries control over the oil resources and enabled them to determine their prices. These circumstances and events permitted the prices to jump more than

once within a short period of time. The price increases helped to remove the bitterness felt by the producing countries as a result of the injustice they had been subjected to for a very long time. The effect of the increases on the industrialized countries, however, was that of severe shock. Just as they had failed to forecast and prepare for these increases before they took place, they also failed to make the necessary adaptation to meet them after they occurred. I do not believe the industrialized countries have so far applied their ingenuity in such a way as to enable them to face the realities in the proper manner. The major oil consumers were called upon to assemble for a discussion of the subject of energy and, to the producers, this appeared like a call for a confrontation. On the other hand, the countries of the third world, whether producers or consumers of oil, declared that it would be improper to restrict the discussion to the prices of oil. Viewing the issue from this narrow angle would only serve the interests of the developed countries and perpetuate the old oppressive conditions that the developing countries were subjected to.

102. Now, and at the time that major industrial countries, or most of them, do not show any real readiness to accept fundamental changes in the traditional economic relationships which would entail certain sacrifices on their part, the developing countries demand that a limit be put to the soaring prices of the products they import for their consumption or development. The developing countries also call for fairer prices for the raw materials that are extracted from their territories and sold, just as oil used to be sold, at unrealistically low prices. Hopes for a modest economic development are not all that some of these countries have lost and are losing; they are also losing large numbers of their populations as famines, droughts, and other natural calamities ravage them from time to time within sight of the whole civilized world.

103. The oil-exporting countries shall not entertain any suggestions that aim to impose upon them a trusteeship for determining the prices of their oil. What they accept, and request, is a discussion of the global economic situation from all its angles, including energy and its prices. What we face today is undoubtedly a new world situation that can neither be ignored nor only partly dealt with. Individual self-interest must not be permitted to persuade us to ignore the issues, for the danger that threatens us is no less than a world-wide recession. The advanced industrial countries may be able to absorb the increased costs of energy by raising the prices of their exported manufactured goods, but that would only add to the burden borne by the countries of the third world and precipitate further rises in the prices of oil. The world would then find itself in a vicious circle with the developing countries bearing by far the greatest share of its evil consequences. As for the countries that export raw materials, and assuming they find it possible to raise the prices of their exports, they may be able to cope with the rising costs of their imports. They may even be able to accumulate financial surpluses. That, however, will not in itself achieve for them the development they seek, for they will still lack the other elements of development, mainly the advanced technology possessed by the developed countries.

104. The international community cannot go through a world-wide recession without facing the threat of a devas-

tating global war. Even if we succeed in avoiding the devastation of war, no country, no matter how powerful or wealthy, will be able to remain oblivious of the plight of other countries that suffer the pains of crushing poverty and starvation. The world of today is one community. If I may borrow the words of Muhammad, the Prophet of Islam—may God's peace and blessings be upon him!—I can describe this community as "an edifice, the different parts of which hold each other together" and as "similar to the human body: when one part of it is hurt, all the other parts share its pain".

105. We in Saudi Arabia view the world's economic situation as an indivisible whole. Our approach to it is objective, and we undertake to make every earnest effort, using all the means at our disposal, to help in the search for fundamental solutions to the many problems. We realize, of course, that fundamental solutions to problems of this magnitude cannot be found overnight. They can only come gradually, and they certainly need sacrifices to be made. Some individual self-interests will have to be sacrificed in order to preserve or further general international interests, which if not more important are certainly not less important, in the long run, even for the country making the sacrifice. It is this general philosophy that guided Saudi Arabia's actions in the past and that will guide its actions in the future. Saudi Arabia's level of oil production today is more than double what is required for its economic well-being. It is the same general philosophy that makes us produce at these high levels, thereby depleting this non-renewable resource that should really be conserved for posterity, and in return we amass foreign currencies that cause us incalculable losses through their steady loss of value.

106. Saudi Arabia, with its large oil reserves and production capacities, on the one hand, and its financial standing that permits it to cut its present production by half, on the other, can play an important role in determining the level of oil prices. In spite of the fact that our immediate interests and those of our future generations would warrant that we reduce production and raise prices or, at least, permit them to find their own high levels, it is our sense of responsibility towards the world we live in that charts our course for us. Not only did we produce much more than we needed to, but we also called for the lowering of the present oil prices when we became aware of their effects on the consumers. We were fully alive to our responsibilities as a member of the international community and as a developing country, and our attitude towards the other developing countries was determined accordingly. Our aid, direct and indirect, to developing countries in 1973 exceeded \$2,000 million. We are the major participants in the Islamic Development Fund, the Arab-African Fund and the Arab Investments Fund. All this is in addition to the financial aid given directly and the grants of Saudi Arabian produced fertilizers. It is therefore clear that our contributions, relative to our *per capita* income and our gross national product, make our foreign aid the most sizable made by any country in the world.

107. Nevertheless, it is our belief now that the responsibility for extending immediate assistance to the group of developing countries should not rest solely on the shoulders of the oil-exporting countries. The greater part of it should

be borne by the advanced industrial countries, which receive from the developing countries prices for the manufactured goods they export to them that greatly exceed, in relative terms, the prices that oil producers realize for their oil. At the same time, these industrial countries have at their disposal the raw materials and the labour of the developing countries at prices that are artificially depressed.

108. With regard to the fertilizer situation in the world, we believe that it is essential to launch a programme that would deal with the shortages of supply and the high prices. Such a programme, if it is to be comprehensive and effective, must aim primarily at establishing fertilizer factories in the areas where natural gas is found in abundance, such as Saudi Arabia, and vast quantities of it flared for lack of a use to which it can be put. It is improper and unconscionable that all these quantities of gas should be burnt away when at least a part of them could be transformed into fertilizers. It is illogical to talk about reducing the price of oil that is used as a feedstock in the production of fertilizers when we have another feedstock, natural gas, that is not being fully exploited at present. I believe that it would be possible to agree upon prices for fertilizers produced in Saudi Arabia that would alleviate the current difficult situation.

109. While so much attention is focused on the oil-less developing countries, as should be the case, the legitimate rights of the developing countries that export oil must not be ignored. Since some of these countries are required to produce more than what they need for their economic requirements, their right to establish diversified economic industrial structures must be recognized. It is vital for them to have alternative sources of income for the oil that they are speedily depleting in response to the world's rising demands. At the same time, these countries, which are amassing foreign currency reserves in the process, must be given adequate safeguards against the erosion of the value of currencies and the political dangers of foreign investments.

110. We are already beginning to witness the beneficial results of this special session. It has given us all the opportunity to express ourselves and to be enlightened by each other's views; and, as a result, we are now clearly aware of the problem that faces humanity. However, it is our expectation that this session will lead to positive steps being taken towards starting an immediate and effective dialogue between all the parties concerned. A start can be made by having a limited but high-level meeting of a group representing all the different groups of countries. That group would be entrusted with the task of preparing the agenda for another full-scale meeting.

111. The magnitude and complexity of the problem are such that it cannot be solved by merely passing resolutions. The road is long and tortuous, and strewn with the thorns of selfishness and the arrogance of power. We can reach our goal only by making sacrifices and by believing in justice and equality as the corner-stones of the international community.

112. Sir Seewoosagur RAMGOOLAM (Mauritius): The Government and people of Mauritius warmly congratulate

President Houari Boumediène for convening, on behalf of the non-aligned countries, this special session, the first one to be devoted to economic matters.

113. At a time when the petroleum-producing countries have shown to what extent the wealth and growth of developed countries depend on the exploitation of the natural resources and raw materials of the developing countries and have demonstrated that the people of the third world could adequately protect their own interests by organizing themselves, it is appropriate that the nations of the world, those which are developed as well as those which are struggling for their development, should get together to examine the interrelated problem of raw materials and development in order to avoid confrontation.

114. At the time they gained their independence, most countries of the third world found themselves in an intolerable economic situation, since they were not in a position to determine either the prices of manufactured goods which they have to import from industrialized countries or the prices of their own raw materials, which they have to sell to developed countries.

115. In all candour, we have to say that, in spite of the endeavours of the United Nations through UNCTAD, as well as through the strategies for the two United Nations Development Decades so painstakingly worked out by this Assembly, the pattern created by the industrial revolution has not changed. Most of the developing countries are still compelled to specialize in supplying the cheap raw materials needed by the gigantic industrial machine of the developed countries of Europe, North America and Japan. There still exists an extreme polarization of wealth between the industrialized countries and the under-developed and under-equipped countries of the third world. There is no denying that the great poverty still prevailing in the developing countries and the consequent ever-growing gap between the rich and the poor nations is due to the fact that the latter do not derive equitable remuneration from their natural resources, while the prices of imported manufactured goods are constantly soaring.

116. The newly independent States have found themselves unable to gain economic independence because they are still confronted with institutions and development patterns which have not changed since the colonial era. They have to reckon with the international monopolies and multinational corporations which have unilaterally established a system of price-fixing for their raw materials.

117. In spite of the efforts of UNCTAD, trade relations are still distorted, and, while in the 1960s and early 1970s the terms of trade of the developed countries have improved considerably, the developing countries have had helplessly to witness the constant deterioration of their terms of trade. That was due to the fact that their raw materials are bought at constantly low prices and are reprocessed and put up for sale at much higher prices. The production process of most independent developing countries is curiously similar to that which prevailed when they were colonies or dependent territories in so far as that process is still geared, not to meeting the needs of their own peoples, but to the export sector, from which much-needed foreign exchange is obtained. That means that many a

developing country is still over-dependent on one crop. That is the case of my country, where cane sugar is grown on 90 per cent of cultivable land and accounts for 91 per cent of our exports.

118. Mauritius enjoys a protected market for only a proportion of its sugar. As sugar is the life-blood of the Mauritian economy, we cannot depend on the vagaries of the world market. The International Sugar Agreement has to a large extent helped to stabilize conditions on the world market. It is unfortunate, however, that negotiations for the renewal of the Agreement, to which Mauritius is a party, broke down.

119. The three essential elements for the safeguard of sugar-purchasing countries are: guaranteed access for substantial quantities; stable, secure and remunerative prices; continuity in the arrangements. Any arrangement short of those mechanisms would create instability.

120. Mauritius, which has to import almost the bulk of its food requirements and relies on export earnings for its development programme, may well be confronted with a chaotic situation if it does not obtain secure guarantees of both quantity and price for its sugar on external markets.

121. Industrialized countries which produce beets should understand that excessive beet production competes on most unfair terms with sugar-cane production, which is vital for the economy of sugar-exporting countries, whose survival depends on outlets for their sugar. Beet-producing countries should agree to control their production in favour of developing countries which have an efficient sugar industry, and that in a spirit of friendly international co-operation.

122. Developing countries which, like Mauritius are over-dependent on one crop, should be assisted in processing their own produce and should be allowed to diversify their economies. In particular, their efforts at industrialization should be encouraged. It is in that context that the action by the petroleum-exporting countries should be viewed. Their position is perfectly consonant with the recommendation of the Fourth Conference of Heads of State or Government of Non-Aligned Countries that the third world should unite in defence of their interests, particularly for the protection of the prices of their raw materials and produce.

123. Although the economies of some of the developing countries are, like that of Mauritius, suffering because of the higher prices of petroleum, we welcome the action of the oil-producing countries in so far as it shows the extent to which the economies of the industrialized nations and those of the producers of raw materials are interdependent. It also reminds us that the wealth and growth of the developed countries depend on the extraction of the natural resources of the under-equipped countries. The members of OPEC have thus developed a much-needed strategy for changing the pattern of neo-colonial dependence and have emphasized the vital need for producers of raw materials to intervene in the price control, price-fixing and marketing of their natural resources. Social justice demands that the developing countries should derive from their natural resources adequate remuneration for their economic

and social development. They should be able to increase the price of their raw materials, provided, of course, they are conscious of the need to fix prices that would be fair to the consumers and at the same time remunerative to them. The interdependence of world economies will of necessity make the producers aware of the fact that they can only benefit from the well-being of the consumers.

124. There may be conflicting interests due to the great discrepancies in the development process. But I trust that the representatives of the industrialized nations will without great difficulty understand the views already expressed here about over-exploitation and waste of the natural resources of our planet. In this connexion I should like to quote from the book entitled *Only One Earth* by Barbara Ward and René Dubos:

"...every child born into the American economy—taking the 1968 figures—contrives by the time he grows up to consume every year over a million calories and 13 metric tons of coal equivalent (or 2700 gallons of gasoline) in energy. He has probably nearly 10 metric tons of steel attached to him for various uses, particularly in the motorcar, which is on the way to being owned by one in two of all citizens. He probably has another 150 kilograms of both copper and lead and 100 kilograms of aluminum and of zinc in use in his various appliances and artifacts... The American baby... is in fact only a two-hundred millionth part of 6 per cent of the world's peoples. But he will help his community to create over 30 per cent of the world's drain on non-renewable resources."¹⁰

125. The representative of Iran has pointed out:

"...should the world as a whole wish to attain the United States rate of oil consumption, the generosity and patience of nature would be exhausted in less than a decade." [2209th meeting, para. 230.]

126. It follows that we need some guidelines in order to determine the interests of each of us and of the world community as a whole. It would be necessary to work out a new set of rules for a rational use of the world's natural resources. Perhaps the greatest contribution this session could make would be to impart to all of us a sense of the interdependence of our respective economies, the need to share responsibilities in establishing a new economic structure that will assure an equitable distribution of the wealth derived from the raw materials between producers and consumers, as well as the sensible utilization of the world's natural resources.

127. A new world economic order also requires careful study of trade agreements in order to bring about a stabilization of the export earnings of tropical producers and the establishment of adequate machinery for the regulation of markets. New trade agreements should take into account the degree of dependence of each of the developing countries on different products, the level of development and geographical handicaps. The new agree-

¹⁰ Barbara Ward and René Dubos, *Only One Earth: the Care and Maintenance of a Small Planet* (New York, W.W. Norton & Company, 1972), pp. 118-119.

ments should also be geared to eliminating the chronic trade deficits of some developing countries such as Mauritius. I have already said that Mauritius is among the developing countries suffering because of the decision by the oil-producing States to increase the price of petroleum.

128. That is why I would be remiss if before concluding I did not with gratitude refer to the decision of the OPEC members to set up a development bank with an initial capital contribution of \$2,000 million to \$3,000 million for assistance to Asian, African and Latin American countries and the \$1,000 million pledged by the Iranian Government to help ease the payments deficits of the countries most affected by the increased prices of petroleum. Here, perhaps, we may venture to propose that those funds could more conveniently be placed under the management of respective regional development banks of the third world, such as the African Development Bank.

129. My delegation has also listened with great interest to, among others, the statements of my colleagues, Mr. Gromyko of the Union of Soviet Socialist Republics [2210th meeting] and Mr. Kissinger of the United States [2214th meeting]. They have both made very constructive proposals, which deserve serious study by this august Assembly.

130. We hope that all those measures will soon bring the developing countries aid and much-needed relief while this Assembly endeavours to lay down the basis for long-term requirements of a new world economic order. The OPEC members and Iran have shown a high degree of international solidarity. We hope that the developed countries, which have in the past benefited the most by the exploitation of the raw materials of the developing countries, will emulate them in co-operating towards a successful conclusion of this historic special session.

131. Mr. AL-SABAH (Kuwait) (*interpretation from Arabic*): It gives me great pleasure to express to you, Sir, on behalf of the Government of Kuwait our warm congratulations on your election to this high office. Your election as President of the sixth special session of the General Assembly is a tribute to the outstanding reputation you enjoy in international circles and a restatement of our appreciation for the exemplary manner in which you conducted the proceedings of the twenty-eighth session of the General Assembly.

132. I should also like to thank President Houari Boumediène, the President of the friendly People's Democratic Republic of Algeria, for his initiative in calling for this special session. This should cause no wonder, as Algeria was for the past few years the scene of the preparatory work of UNCTAD and the activities of the third world, of the non-aligned group in particular.

133. We firmly believe that we live in an age of co-operation among all developing and industrially advanced countries. We live in an atmosphere which makes it our duty to remove all obstacles which hamper economic and social progress and prevent *per capita* income from rising. We believe that economic progress cannot be achieved so long as some peoples are afflicted with poverty, ignorance and privation. We believe that colonialism, injustice and

occupation are basic factors in retarding the progress of nations and keeping them a prey to need and indignity. Portuguese colonialism in Mozambique, Angola and other parts of Africa and *apartheid* in South Africa are fundamentally aimed at the economic exploitation of those countries and constitute an obstacle to their political and social development.

134. The continued occupation of the territories of some Arab countries by Israel does not merely constitute a violation of their territorial integrity but is also a factor which hinders their industrial, economic and social progress. We also believe that it is absolutely necessary to recognize the right of nations to independence and self-determination as an essential prerequisite for achieving economic and social progress. I should not fail to state that the exercise by the people of Palestine of their right to self-determination is the basic pillar for launching the Middle East region on the path of economic and social development.

135. My Government welcomed the proposal to hold this special session of the General Assembly as soon as it was made because we believe that our world Organization is the most suitable forum for discussing the crisis in the economic and political relations between the developing and the developed countries, a crisis which jeopardizes world peace and security and defeats the legitimate aspirations of most peoples for a better life and a future that safeguards human dignity.

136. Our convictions were confirmed by the misleading attempts which some circles in the developed countries were making recently to divert the attention of the nations of the third world from the real sources of their troubles and difficulties by putting the blame on a group of developing countries which succeeded in realizing some of the hopes and legitimate demands of the third world and embodied them in a large number of resolutions adopted by successive international conferences held within the framework of our world Organization. Those resolutions were never implemented by the developed countries, which failed to honour their commitments in this respect.

Mr. Chatti (Tunisia), Vice-President, took the Chair.

137. One of the main attributes of this age is the return of ancient nations to the international scene after recovering their national sovereignty and freeing themselves from the shackles of political domination. The next step for those countries was naturally to achieve economic independence, which would enable them to discard the last remnants of colonialism and provide a decent living for their peoples, who suffered for so long in the past from poverty and privation.

138. The developing countries made great efforts within the framework of the United Nations to formulate a long-range policy aimed at changing the pattern of international trade, reforming the international monetary system, promoting developmental capital movements and laying the foundations of their future development. Those efforts are embodied in numerous resolutions and recommendations adopted by the United Nations family of organizations.

139. Past experience, however, has shown that the adoption of resolutions does not ensure their implementation and that the most serious plans of action are not observed. A living example of this is the failure of UNCTAD to bridge the widening gap between the developing and the developed countries, its inability to find new outlets for the exports of the developing countries, its failure to establish a just and equitable relationship between the prices of manufactures and services imported by the developing countries and the prices of raw materials and primary products exported by them and its inability to create a stable international monetary order which would promote the efforts of those countries to raise the standard of living of most peoples.

140. A lot has been said during the past few weeks regarding inflation and the dangers of a world recession. This phenomenon has bedevilled the industrially advanced countries since the end of the Second World War. It is a problem created by the policies of these countries and their inability to put their houses in order and to take good care of their domestic affairs. In fact the industrially advanced countries exported inflation to the developing countries through the constant rise in the prices of their exports of capital goods and equipment and food products and a variety of goods and services on which the developing countries are totally dependent. The situation was aggravated by the disorders in the international monetary system caused by the unwise policies pursued during the last decade by the industrially advanced countries, especially those whose currencies are reserve currencies. All this affected the economies of the developing countries through the reduction of the value of their reserves in real terms and the purchasing power of their export revenues. The developing countries have been the prey of the selfish policies of the industrially advanced countries for several decades in the past. It is unfair to see some of them now being accused of creating international economic difficulties or undermining the economies of other countries if we bear in mind that all that they are trying to do is to solve the difficult problems created by the selfish and reckless policies of the developed countries.

141. We must say very frankly that the problems of the industrially advanced countries and of the very rich big Powers should not be solved at the expense of the developing and the poor countries. It is only just that the opposite should be the basis for establishing a new international economic order in which all States help each other to ensure peace and prosperity for all nations.

142. We do not advocate confrontation between the developing and the developed countries in spite of the past, which is full of disillusionment and painful memories. We should, however, honestly say that such confrontation may take place unless the industrially advanced and developed countries realize, before it is too late, how deeply the developing countries are aggrieved by the injustice done to them, the disregard of their legitimate aspirations to prosperity and progress, and their determination to correct past inequities and regain their rights.

143. We are looking forward to a new pattern of international relations which requires the developed countries to remove the various obstacles which have hampered development in the developing countries for many decades. Within

such a new economic order it is incumbent upon the developed countries to give the necessary support for the efforts made by the developing countries to attain equality and achieve complete sovereignty over their natural resources. The developed countries should recognize the right of the developing countries to adequate and equitable representation in forums where decisions are made which affect not only the future of the developing countries but the future of all countries.

144. The constituent instruments of many organizations, such as the World Bank, the International Monetary Fund [IMF] and other related bodies, must be revised so as to discard the vestiges of the past, when the world was divided into dominant and subservient countries, and to reflect the desired new international economic relations which will ensure the vital interests of the developing countries.

145. The developing countries have been incessantly striving to regain sovereignty over their natural resources and to recover their right to decide how to exploit their resources and use their revenues to build their economies and raise the standard of living of their peoples. They have succeeded to a large extent in extricating their resources from the sway of the multinational corporations which have been exploiting them for their own benefit and that of their home countries. The formation of producers' associations by developing countries which produce certain primary commodities is only a natural reaction to the exploitation of the past in which their interests were ignored and the aspirations of their peoples utterly disregarded.

146. We welcome these associations and praise their efforts to achieve complete national sovereignty over their natural resources and to attain a better distribution of world income and wealth. We believe that the success of these efforts will improve the chances of a better world order and of constructive co-operation among all nations.

147. We therefore cannot allow any form of international trusteeship to replace private foreign corporations whose conduct fettered the exercise by the developing countries of their regained sovereignty over their natural resources. We stand by our responsibility to exploit our natural resources for the benefit of our peoples, whose welfare is an integral part of the welfare of all nations. We therefore welcome sincere co-operation and constructive dialogue with the developed countries. At the same time we refuse to return to the systems of domination and exploitation which existed in the past no matter what new names are given to them or in what guise they may be presented to us.

148. Kuwait is a producer of one of the primary commodities which is of vital interest to the world economy, namely oil. Kuwait, like many other oil-producing countries, has suffered since the end of the Second World War from the policy of the oil corporations and of the countries to which they belong and of the interests they serve. The central aim of this policy was to freeze the price of oil at a very low level in comparison with alternative sources of energy in spite of the fact that for more than a quarter of a century the prices of all basic commodities, manufactures and services exported by the industrially advanced countries have been constantly rising. During this period the exchange rates of reserve currencies paid by those countries for oil have also deteriorated.

149. Many of the previous speakers have quoted figures and statistics which clearly demonstrate that the oil-producing countries have suffered from a deterioration of the prices of oil in real terms. This led to deterioration in the terms of trade between the producing countries and the industrially advanced consuming countries. This was accompanied by an irresponsible depletion of the reserves of this precious commodity for the benefit of a few rich countries.

150. It is no exaggeration to say that the economic rehabilitation and reconstruction of those industrially advanced countries from the ruins of the Second World War was based on their being supplied with oil at very low prices. If the Marshall Plan is frequently spoken of in high terms, it is only fair to recognize that the developing oil-producing countries should be given their fair share of the credit. These countries shouldered a significant part of this burden because the price of their oil was reduced throughout the time of the reconstruction and was frozen for a long time afterwards at this low level. This enabled the industrialized countries not only to lighten the burden of financing their reconstruction, but also to bring their industries, their currency reserves, and the standard of living of their peoples to the present high level.

151. It is also true to say that the low price of oil and the deterioration of its price have not prevented the economic backwardness in the developing countries from getting worse. The raising of the price of oil by a number of developing countries was in essence the correction of an inequitable situation which existed for a long time and which was dictated by the responsibility of those countries not only towards their peoples but to future generations as well. No one should forget that the oil-producing countries include countries which still shoulder a huge debt burden and whose economic development efforts are hampered by the inadequacy of their financial resources to meet their needs.

152. We should not forget also that the bulk of oil is consumed by the industrially advanced and the rich countries. Hence the demand of these countries that the price of oil should remain low is designed to perpetuate the practice of depleting the natural and economic resources of the developing countries without a fair return. It is also aimed at undermining the solidarity of the developing countries in their efforts to implement the resolutions of UNCTAD, whose aim is to promote equitable economic relations between the developing and the developed countries.

153. Some developed countries voiced some apprehensions recently lest the recent rise in the price of oil should undermine the economy of the developing countries. That was the first time that the developed countries voiced concern over the future of development in the developing countries. We can truly assess the sincerity of those sentiments if we recall that most of these developed countries refrained from providing resources equivalent to 1 per cent of their gross national product in aid to the developing countries in accordance with the provisions of the Second United Nations Development Decade. These same developed countries refrained from providing the necessary outlets for the exports of the developing coun-

tries in accordance with the recommendations of UNCTAD. Moreover, these developed countries are the real beneficiaries of the high rise in the prices of many of the vital food products and materials which are essential for development in the developing countries.

154. Could one really ascribe the failure of the First United Nations Development Decade and the shortcomings of the Second Decade to the rise in the prices of oil or the greater revenues received by the oil-producing countries? One can rarely find a double standard which is more expressive of the kind of morality which is implicit in such value judgements.

155. Some developed countries also like to put the blame for the inflation that prevails in them on the oil-producing developing countries. This is inaccurate. Raising the price of oil was more a preventive against inflation in the industrially advanced countries than the cause of it. The price of oil remained frozen for a long time and in spite of that the average rate of inflation increased in those countries every year. Studies of the effect of the recent increase in the price of oil on the price index in the industrially advanced countries show that it did not contribute more than 1 per cent, while the average rate of inflation for the year 1974 has been about 12 per cent. This should cause no surprise, because the cost of oil is only a small part of the industrial production costs in those countries.

156. The basic cause of the inflation which prevails in the industrially advanced countries and which also affects the developing countries is the political and social conflict over the method of distributing the growing gross national product among the various social classes. In any case, until 1973 the share of the producing countries of the revenues derived from supplying oil to the industrialized countries did not exceed 9 per cent of the final price paid by the consumer.

157. Taxes levied by the Governments of the consuming European countries constituted 50 to 75 per cent of the final consumer prices. In fact the recent increase in the price of oil is still inadequate to provide the producing countries with a revenue increase equivalent to the revenue derived from the taxes levied by the Governments of the consuming countries on oil products. If the increase really threatens to cause inflation in the industrially advanced countries, all they have to do is to reduce the huge taxes they impose on the consumers of oil products instead of putting the blame on the oil-producing countries.

158. Oil is the major natural resource of the oil-producing countries and even the only natural resource for many of them; it is a wasting and non-renewable product. It is wrong to talk about oil revenues without taking into consideration the fact that the bulk of these revenues are the price of consuming the natural resources themselves rather than the revenues which are repeatedly renewed.

159. Once the true nature of oil is understood, the true responsibility of the Governments of the producing countries can be appreciated. One can understand their concern to conserve this non-renewable resource and to preserve it against irrational depletion which will deprive future generations of their right to a life of freedom and dignity.

160. In our opinion, in order to preserve the oil wealth it is not enough to regulate the quantity produced; an equitable relationship between its price and that of alternative sources of energy which reflects its alternative uses which are of greater benefit to humanity than its mere use as a source of energy must also be established. By that we mean using oil to provide the basic needs of the developing countries of food, clothing and building materials. Preserving the oil wealth also includes maintaining the value of oil revenues in real terms and the investments in which they are made, which are an alternative source of national income for the producing countries.

161. Thus it is not possible to discuss the present and future prices of oil in the absence of a true appreciation of the nature of oil wealth, on the one hand, and its equitable relationship to the prices of international manufactured goods and services, the flow of technical aid and skill, international exchange rates and international capital movements, on the other.

162. If the recent increase in the price of oil drew the attention of the world and the industrially advanced countries to the need to preserve the sources of this precious commodity, to use it in a rational manner, to search for alternative sources of energy and to avoid waste, it would have served a useful purpose and should promote the interests of both the developing and the developed countries. The increase in the price of oil was not the cause of the international economic crisis, though some would like us to believe that this is the case for reasons of their own, which have nothing to do with sound economic analysis and a disinterested impartial approach.

163. Kuwait is keenly alive to the difficulties which international economic problems created for the developing countries, which include the energy problem and its impact on their development plans. Kuwait has always strived to promote development in the developing countries and to help them to attain self-sustained growth. It established the Kuwait Fund for Arab Economic Development in 1961 to promote development in the Arab world. It also participated in the Arab Fund for Economic and Social Development. It also submitted a draft resolution to set up an Economic and Social Development Fund for the Non-Aligned Countries, which was adopted by the Fourth Conference of Heads of State and Government of Non-Aligned Countries.¹¹ It also participated in the Arab Bank for Economic Development in Africa and the Technical Assistance Fund. Moreover, Kuwait is seeking to formulate measures for alleviating the difficulties confronted by developing countries as a result of recent developments.

164. As a first step in this direction and in accordance with a decision adopted by the Kuwaiti Council of Ministers on 17 March last, my Government submitted a bill to the National Assembly which provides for raising the capital of the Kuwait Fund for Arab Economic Development from \$600 million to more than \$3,000 million. Under its new constituent instrument the Fund will extend economic and technical aid to the developing countries while in its old form its activities were confined to the Arab countries. The Fund can borrow up to twice its capital plus

reserves, thus bringing its lending potential to the developing countries up to more than \$10,000 million. The special attention my Government is giving the matter is indicative of its full awareness of the need for effective co-operation among all developing countries and the importance of promoting their economic development.

165. The new Kuwait Fund for Arab Economic Development will be the most independent international aid institution because it can extend aid to any developing country regardless of its ideological or political conditions.

166. Before amending the constituent instrument of the Fund we consulted a large number of developing countries and asked them to choose between multilateral and bilateral aid. During these contacts we realized that the majority of the developing countries preferred bilateral aid. We appreciate the confidence which the developing countries placed in us and hope always to be worthy of it, because we understand their conditions and needs and can extend to them aid which is not tainted by any political considerations and which has no strings attached. At the same time we shall do our best to prevent the Fund from developing into a bureaucratic institution, because bureaucracy hampers the delivery capacity of some international organizations and exhausts the bulk of their resources.

167. Kuwait has been content to give silent aid in the past. However, I should say on this occasion that the economic development aid of Kuwait is a living example of the responsibility our country feels towards the developing countries. If we compare the volume of aid given by Kuwait during the First and Second Development Decades with the aid given by the developed countries, we shall realize how wide is the gap between the aid given by a small developing country like Kuwait and that given by the industrially advanced countries. Statistics show that most of the developed countries were reluctant to provide resources equivalent to 1 per cent of their gross national product in aid to the developing countries in accordance with the provisions of the Second Development Decade. Their assistance fell from 0.42 per cent of their gross national product in 1967 to 0.34 per cent in 1972. On the other hand Kuwait, which is a developing country, gave 7 to 8 per cent of its gross national product in assistance to the developing countries. This exceeds by far the obligation which the Second Development Decade imposed on the developed countries.

168. Kuwait and the Arab countries would have liked to extend a larger volume of aid to the developing countries had it not been for the political situation caused by the occupation of large parts of our territories and the dissipation of a large part of our resources to shoulder the defence burden and repair the damage caused by Israel's aggression, which undermines our economic well-being and growth.

169. Kuwait was the only developing country to participate in the four replenishments of the International Development Association and made available its contribution to the fourth replenishment ahead of many other contributors.

170. The capital markets of Kuwait have been accessible to the World Bank since 1968. The Bank borrowed \$500

¹¹ See document A/9330 and Corr.1, p. 80.

million from the capital markets of Kuwait, thus increasing its resources and delivery capacity to provide aid to the developing countries. Kuwait's market ranks fourth in importance with respect to the investment activities of the World Bank. Kuwait will adhere to this policy, which proved to be of great benefit to the developing countries. The World Bank will always find Kuwait ready to provide any surplus in its capital markets for financing development projects in the developing countries.

171. I am pleased to announce that the Asian Development Bank will for the first time offer its bonds for sale in the Kuwaiti market during this month. This is the first time that the Bank borrows outside the traditional markets in the United States and Europe.

172. I should perhaps pause to make it clear that the aid which is extended by Kuwait and other developing countries is not intended as a substitute for the aid which the developed countries should provide. This aid merely comprises additional resources which are provided because of the friendly relations and traditional co-operation between the developing countries and the special needs of the developing countries which require the maximum amount of resources that may be made available from any source. We should like to remind the industrially advanced countries of their historic responsibility because they are primarily responsible for the backwardness and privation which are the lot of the developing countries.

173. Kuwait hopes that this session will approve the basic economic principles for establishing a new international economic order to govern relations between the developing and developed countries in accordance with the working paper of the group of 77.¹² The developing countries must play their rightful role in the new international economic order. Kuwait hopes that a follow-up group will be set up to supervise the implementation of the principles to be agreed upon so that the new international economic order may take concrete form and become a part of living reality.

174. In conclusion, I should like to express my earnest hope that this session will prove to be a major historic event which will result in a comprehensive plan of action and usher in a new international economic order based on harmony and constructive co-operation between all countries.

175. Mr. ADAN (Somalia):¹³ Mr. President, allow me to associate myself and my delegation with the previous speakers in extending to you our most sincere congratulations on your presiding over this historic special session of the General Assembly. Having had the honour of leading the delegation of the Somali Democratic Republic at the last regular session of this Assembly under your presidency, I am sure that you will once again guide our work with your usual wisdom and high degree of competence.

176. May I convey, on behalf of my delegation, to the delegation of the Republic of Sierra Leone our sadness on learning of the untimely death of their permanent repre-

sentative to the United Nations, Ambassador Ismael Byne Taylor-Kamara. We offer the Government of the Republic of Sierra Leone and the family of Ambassador Taylor-Kamara our deep and heartfelt sympathy on this great and sudden loss.

177. I must at the outset express our gratitude to Algeria for its timely initiative in calling for the convening of a special session of the General Assembly. The urgency and complexity of the crisis which is being discussed deserves the full attention of this international body. Mr. Houari Boumediène has delineated incisively the crisis and has put forth a series of viable proposals for the development of third world countries and for enhancing international co-operation.

178. The deepening crisis of international relations is a challenge to the survival of the international community. In the face of conflicting claims to resource utilization, energy problems, pollution and the seemingly intensifying international inflationary spiral, no nation can independently devise its own solutions. No nation can be an island to itself in these turbulent times, irrespective of its resource base. No nation can force its "national solution" on others, irrespective of its manifest power. Ours is a global village. The well-being of the village is essential to the well-being of the individual hamlets. Effective interdependence is essential to a reasoned self-control and mastery of world affairs.

179. The present crisis in international political and economic relations which has brought us together did not merely spring from the head of Zeus. Nor is it to be charmed away by the gods. The genesis of the crisis is to be found in the distribution of economic and political power during the last few centuries, in the world policy. When the processes of the industrial revolution were unleashed, Europe, then flourishing and powerful, systematically colonized the other continents such as Asia, Africa and America. Later on, Western capitalism in an organized manner started successfully to exploit the resources of those continents for its own capitalist development with no pretence of transforming the economies of the wretchedly colonized. These tragic processes of exploitation entailed genocide, slavery, the plundering of mineral and agricultural resources and the cultural subjugation of the colonized. The transfer of resources from those continents was undeniably instrumental to the development of capitalist countries. Conversely, it led to the under-development of the colonized peoples and countries. The root-cause of under-development, therefore, is to be found in the phenomenon of colonialism and not in the lack of resources and sociological barriers to development, as the ideologies of imperialism would have us believe.

180. The independence movements particularly since the Second World War have wrested political power from the colonial régimes. Most of the colonized regions are therefore independent today, with the exception of those African and other Territories still under the colonial yoke. What is important at this juncture, however, is that the acquisition of political independence has not meant sovereignty over the economic domain. Nor has it meant sovereignty over urgent matters such as the devising and implementing of viable strategies for the total transformation of the new States. In essence, what it has been is to

¹² Subsequently circulated as document A/AC.166/L.47.

¹³ Mr. Adan spoke in Somali. The English version of his statement was provided by the delegation.

remain an appendage to the "exclusive club" of the developed countries. It is a fact that the developing States have little, if any, control over the production of their own resources, have no control in the market arrangements of their exported commodities, have no say in international financial and monetary institutions and have no voice in the prevailing world economic order. The ravages of colonialism and the current domination of the world economic order by the "exclusive club" of the developed have precipitated an international social stratification. The developed societies in their pursuit of overconsumption and gadgetization are perpetuating the lumpen-proletarianization of the third world. The benefits that accrue to the industrialized are preponderant: because of their labour-saving instruments, workers in developed countries are expending less and less hours for production purposes, while those in the developing countries are expending the same back-breaking labour inputs for the self-same outputs. Add to that that the outputs of the developing countries are characterized by adverse terms of trade. Inherent, however, in the lumpen-proletarianization of the third world is its marked politicization and the unflinching demand for what is justly theirs. The heightening of the political consciousness of the third world is in part responsible for the present crisis. The old rules of the domination game can no longer suffice to manage crises: gunboat adventurism and adroit behind-the-scenes manipulations are inoperable for complex issues such as the multifaceted current crisis.

181. The determinants of the crisis are to be historically situated and realized so as to put aside safely the mystifications which are being voiced by some. The present marked disequilibria in the international economic order cannot be attributed solely to the increased price of oil. Far from it. Rampant inflation originating in the industrialized States because of their wage structures and, in some of them, their pursuit of colonial wars were already undermining the economic order prior to the oil price increases. More fundamentally, the mechanisms stipulated by the Bretton Woods Agreement for the international monetary system proved to be institutionally ineffective. In a word, historical, structural, institutional and natural factors have brought about this urgent and complex crisis.

182. The crisis has obviously different effects. The industrialized countries are having production and balance-of-payments problems. But the intensity of adverse effects is felt most severely in third-world countries. Increased—in some cases astronomically—prices for food-stuffs, industrial goods and oil have conspired to undermine the most determined efforts to develop. The import bills for most third world countries cannot be met by local resources, while external assistance is drying up, mainly because of politically motivated considerations. This man-made crisis is much more devastating than natural calamities. A tornado or an earthquake, however destructive, are one-shot affairs. But this man-made crisis is much more pervasive, frustrating and, apparently, lasting.

183. Oil exporters can hardly be the scapegoats for the disintegrating international economic order. Increased prices for raw materials, the first increases since the 1950s, cannot be the culprit either. Let us face it: the centre can no longer hold, and things are falling apart. It is a tragic thing that we are all going to be losers in this prisoners'

dilemma unless more equitable mechanisms are designed for the international economic and political order. The era of domination and dependency are gone and, where they still crassly exist, are unacceptable. Monopoly capitalism has to realize its myopic orientation. We are constantly being told of the energy crisis but are never told of a profit crisis by the oil oligopolies. Monopoly capitalism continues to perpetuate confrontation rather than co-operation. Co-operation is nevertheless the only way out of the malaise in international relations.

184. A word about oil: the production and utilization of oil is indicative of an international economy that has been characterized by exploitative relationships. For two decades—from 1947 to 1969—the price per barrel of oil from the Middle East was under \$2. At the same time, the developing countries, including the oil-producing countries, had to import industrial products from the developed countries at ever-rising prices. The increasing price structure of developed countries is not confined to industrial products. Even food-stuffs produced in them have had spiralling prices. Wheat is a good example. Between July 1972 and July 1973, the price of wheat doubled, and nearly doubled again during the second half of 1973. The price of fertilizers, so essential for developing countries that agricultural transformation cannot be registered without them, almost doubled between June 1972 and September 1973. These increases were brought about solely by the industrialized countries, which control over nine tenths of the world's fertilizer production.

185. The increasing consumption of low-cost petroleum manifestly contributed to the prosperity of the industrialized nations, together with the low cost of other raw materials that were the basis for the large industrial output of the wealthy countries in the framework of an exploitative system inherited from the era of colonialism and later reinforced by imperialism.

186. The gloomy assertions that the present prices for petroleum are unmanageable and that they cause inflation, recession, and unemployment in the advanced countries are unwarranted.

187. Should the economic growth and affluence in the industrial countries have to depend on a transfer of real resources from developing countries? Should this transfer be termed a "right of access" or outright exploitation? The oil-exporting countries are responsible for their future generations when this non-renewable resource is exhausted. The present generation, faced by the wasteful overconsumption of oil in industrial countries, the large profits reaped by the oil oligopolies and the constant search for alternative sources of energy, are entitled to ask for a fair price. This is what they have got only very recently.

188. The link between the present crisis, particularly with respect to the fluctuating price of raw materials, and the conscious efforts of total transformation in the third world is all too obvious. The production of agricultural commodities in developing countries is fraught with problems. Low productivity, particularly because of the prohibitive price of the capital goods of the industrialized countries, the inflexibility of the production processes, the vagaries of weather, an associated inelasticity of demand, and so on,

are the constraining production factors. The marketing of these commodities and others from the extractive sector have traditionally posed the most serious problem for the developing countries. The manipulations of the "visible hand" of the markets of the exclusive "developed club" have perpetrated a dependency relationship. The lack of control of the price of raw materials by the producers significantly limits their developmental options. The lack of any say in the pricing of their products let alone their imports—unlike the cartels—reduces the third world to a mere estate of the multinational corporations.

189. My Government holds the firm view that control by developing countries over their own natural resources to the degree which they consider necessary for their social and economic development plans is a fundamental step in the establishment of economic independence and national sovereignty, which alone will guarantee that States will treat each other on an equal footing. Our view is that the developing countries must be able to nationalize, if they so choose, foreign holdings and determine compensation in accordance with their own legal systems.

190. In this context it is pertinent to mention the problem of multinational corporations, whose declared chief purpose is to increase their profits from, for example, the cheap, slave-like labour conditions in southern Africa and elsewhere, and whose tremendous financial and political powers are often used against the best interests of the developing countries which they exploit. The development of an international code of conduct to govern the activities of these corporations is an urgent priority for international action.

191. Of direct relevance to the issue of control over natural resources is the plight of those who are oppressed by colonial and racial domination. One of the most obvious of the injustices of the colonial and racist systems has always been the economic deprivation of the oppressed peoples. Any initiative to secure international social justice must include a recognition of the right of these peoples to struggle in order to regain effective control over their natural resources, and the resolve to assist them in this task.

192. At the heart of the effort of the developing countries to make economic domination yield to economic co-operation is the issue of fairer prices and stronger guarantees in trading agreements for their raw materials. If an objective assessment is to be made of the justice of the demand of developing countries for better prices for their primary commodities, this fact must be recognized: the high standard of material progress enjoyed by many of the highly industrialized countries over the past century was achieved because those countries were in a position to exploit for their own maximum benefit the resources of the lands and peoples of Asia, Africa and Latin America.

193. The objectives, strategies and necessary processes of development are crystal-clear to the third world. The First and Second United Nations Development Decades have articulated those issues. Be that as it may, the present dependence of the developing countries in regard to markets, technology and management is an obstacle to a calculated effort to improve the material and cultural well-being of third-world peoples. A process of disengage-

ment is necessary for the total transformation of those societies. A determined political will to develop co-operation with other developing countries and a reasoned and mutually beneficial relationship with the industrialized countries are the necessary ingredients of third-world development and better international understanding and co-operation.

194. The first necessary step is an unflinching determination to improve the material and cultural well-being of the citizens of a developing country. We in the Somali Democratic Republic are fully cognizant of the relevance and potency of self-reliance. Our Revolutionary Government is sparing no effort to achieve this through our local initiative. A balanced strategy of agricultural transformation and the laying of an industrial base has been begun. More fundamentally, a policy of mass mobilization has been launched and the Somali masses are collectively and consciously striving to realize their full potential. In our view, external assistance can only be a supplement to self-reliance.

195. The second necessary step is co-operation with third-world countries which have similar problems and concerns. We are fully aware that that is in our interest, and we have articulated that in regional and international conferences. Co-operation in the specific areas of production and trade negotiations is of immediate concern. Collective action by third-world countries will accomplish control of their natural resources and their obtaining fairer prices for their commodities. Further, the peoples of the third world, who comprise 70 per cent of the world's population and receive only 30 per cent of the world's income, have other goals vis-à-vis the developed countries.

196. Co-operation at the third-world level has to be complemented by the active assistance of the developed countries. It is necessary to know how responsible will be the response of the developed countries to third-world objectives such as the processing of raw materials in the area of production; obtaining access to consumer markets for manufactured and semi-manufactured products of developing countries; the removal of tariff and non-tariff barriers imposed by the developed countries; the implementation of the system of generalized preferences for imports from the developing countries; the establishment of the principle of non-reciprocity in trade negotiations, and the transfer of technology from the developed to the developing countries. All these are goals that have been widely endorsed by the world community and, if they are not translated into action, the developing countries will not be able to diversify their exports, accelerate their rate of growth and substantially increase their foreign exchange earnings.

197. Turning to the industrialization programme of the third world, if the developed countries are complaining of asphyxiation by industrial pollution, then it is in the interest of the international community to make the developing countries the new industrial zones. If the life-span of the peoples of the industrialized world is being shortened by pollution, and if the quality of their lives is being worsened, then the industrial pollutants should be moved to the third world. In the case of the latter, the presence of industrial development will reduce the rampant

infant mortality, remedy the deforming current malnutrition and increase the life expectancy of the peoples of the third world. Industrialization, with the requisite social controls, in the developing countries is in the interest of the community of nations.

198. The issues of trade and development as they pertain to the developing countries cannot be divorced from that of international monetary policy. The instability of the international monetary system obviously affects both developed and developing countries, but the latter are less able to cushion the effects of an instability which is not of their making and which they are powerless to control. If it is accepted that a stable world economic order will depend on removing as many hindrances to development as possible, then that should be an added incentive to bringing about reform of the monetary system whose present instability often causes serious damage to the economies and development plans of the poorer countries. An important aspect of such reform would be to ensure fuller and more effective participation by developing countries in the decision-making process.

199. An area where support for the aims and objectives of the developing countries calls for the most serious perspectives and attitudes is that of development financing.

200. The chronic balance-of-payments shortage arises among the developing countries, and their entanglement in a new web of colonialism and neo-colonialism will continue unless measures are adopted by both international financial institutions and individual developed countries to alleviate the burdens of external debt servicing.

201. At this juncture it is most encouraging that the oil-producing countries have realized that third-world solidarity is in their interest and in the interest of the other developing countries. It is far-sighted on their part to realize that the third world has a common destiny and that their proposed shouldering of some of the responsibility for development financing is very enlightened. The proposals some of them have submitted to this special session of the General Assembly provide a viable alternative to development financing, which is being monopolized by individual industrialized States and the international financial institutions.

202. It is pertinent to ask what are the prospects for third-world development and, consequently, for world peace and security. Sufficient proposals and programmes have been submitted to many an international forum. The snag is whether practical and timely measures will indeed be formulated and implemented.

203. It must be admitted that the outlook is not bright. The list of negative attitudes to third world objectives is ominous.

204. Nevertheless, this historic session of the General Assembly has a proposed programme of action.¹⁴ My delegation supports that programme of action, particularly with respect to the questions of the sovereignty of States over their resources, international regulation and control of

the activities of multinational corporations, transfer of technology, the quest for a democratized and stable international monetary system, and development financing.

205. The manifest interdependence of the component parts of the world community calls for an enlightened response to the present crisis. It is one that demands a truly productive effort for the practical implementation of the draft programme of action in order to bring about a timely and healthy international co-operation in the economic development of this troubled world.

206. Mr. Al-ASNAJ (Yemen) (*interpretation from Arabic*): Mr. President, permit me, on behalf of the delegation of the Yemen Arab Republic and on my own behalf, to express our great satisfaction for the renewal of the confidence that the General Assembly has given you to direct the deliberations of its sixth special session.

207. While the attention of world public opinion has been directed on the deliberations of the special session of the General Assembly, in the hope of establishing a new international economic relation aimed at serving the cause of peace and co-operation, Israel, as usual, has shocked the world with a new, barbaric aggression against Lebanon, a peace-loving nation. Thirteen villages were destroyed, many people were killed, several persons were taken hostage. By committing such aggression, Israel proves anew its defiance of the international will to establish a just and lasting peace in the Middle East. Israel proves, time and again and beyond any doubt, that it is a disturbing element planted to threaten the security, stability and prosperity of countries and people of the area.

Mr. Benites (Ecuador) resumed the Chair.

208. We meet today in the most sensitive and complicated conditions. Our community is called upon to re-examine both its relations and its responsibilities, also it must explore ways and means to set up a new form of international co-operation based on mutual interests that will lead to the creation of an international economic order where justice and common benefit are its main objectives.

209. The initiative taken by President Houari Boumediène of the People's Democratic Republic of Algeria, in his capacity as President in Office of the Group of Non-Aligned Countries and a leader of a sister country which heralds the march of freedom and development, has come at a time when international economic relations have reached a critical point that might constitute a threat to the cause of peaceful coexistence and stability. This situation requires that all of us here live up to our responsibility, and ensure that our deliberations will lead us to just and constructive solutions.

210. We share the views that the convening of this special session comes at the proper time, and reflects the growing concern of the peoples of the third world over the rapid increase in the prices of consumer and manufactured goods that have caused the deterioration of its financial capabilities and the dwindling of its foreign reserves. Thus our response to the initiative taken by President Boumediène was positive, which expresses our desire and the desire of the third world to create conditions that would promote

¹⁴ Subsequently circulated as document A/AC.166/L.48.

favourable international economic relations and would preserve the legitimate interests of all countries.

211. My delegation warns against any attempt to divert the deliberations of this session from its clear objective. We must not concentrate our attention on dealing with incidental economic issues in isolation from the problems of inflation and the consequent exorbitantly high prices of food, consumer and manufactured goods which we consider to be the main cause for many economic and monetary difficulties confronting the countries of the third world.

212. We need not recall past memories and review the record of international economic relations, as it is an established fact that the countries of the third world, having been under the yoke of foreign occupation, were subjected to exploitation of their natural resources by the colonial Powers.

213. Since that traditional type of economic relations is no longer accepted because it contradicts the logic of our times, and because prices of certain commodities have been corrected recently, the fact remains that indirect exploitation is still maintained by international monopolies dealing with the import of raw materials from developing countries. Such raw materials as iron, cotton, copper, cacao and fertilizers are now being re-exported to the third world at skyrocketingly high prices, far exceeding the extracting and manufacturing costs. That, in fact, is the prime cause of the present crisis. And if that situation remains unsettled and no solution is found, then the countries of the third world will remain within a vicious circle that will further aggravate their economic instability and sabotage all efforts for general reforms in all other fields.

214. It is a matter for regret to note that at the time the United Nations is endeavouring to work out a system in which fair economic and political relations would be created, we find that the existing economic order is departing from its desired goal, and the gap between the poor and the rich nations is widening. The poor get poorer and the rich become richer.

215. The United Nations, which embodies the aspirations of mankind, has on many occasions expressed the hope of the third world that it should be the forum for the establishment of a new and just international order. United Nations documents provide ample evidence of the sincere desire of the developing countries and their concern over the deteriorating situation in international relations. They have made their position amply clear at various international forums, in particular at the second and third sessions of UNCTAD, held in New Delhi and Santiago respectively, as well as in the declarations of Georgetown¹⁵ and Algiers.¹⁶ But those declarations met with no response.

216. It is only fair to stress the fact that the colonial heritage, which was based on exploitation, has kept the economies of the developing countries in a state of backwardness, and has also put their trade at the mercy of

the industrialized nations. The United Nations, on the other hand, has, since its inception, been aware of this abhorrent situation in the developing countries, and hence the First United Nations Development Decade was declared. Unfortunately, the results of the Decade were discouraging. Yet, the faith of the developing countries in the United Nations did not vanish. Consequently, in 1970, the Second United Nations Development Decade was launched in an atmosphere of mixed feelings of faith and disappointment: faith in the United Nations, and disappointment over the fate of the First Decade. However, we feel that the first review and appraisal of the International Development Strategy for the Second Development Decade has shown discouraging signs concerning the performance of the economy, which in effect means that the economic disparity between the developing countries and the developed countries is even wider. Nevertheless, we believe that the United Nations still has a chance to take more effective measures which will emphasize the spirit of co-operation, and consequently ensure the implementation by the industrialized countries of their commitments under the Strategy.

217. We admit that détente has produced some positive results in relaxing tension and improving international relations. In fact, international relations have entered into a new phase of better co-operation and understanding. However, much has been said about the benefits of détente in the fields of economic relations and international trade. In this respect, we, the people of the third world, will not hesitate to say that the anticipated economic benefits were not gained, for détente only serves the rich countries and excludes the poor ones. It has totally ignored the task of eliminating the problems of backwardness and poverty, which dominate the lives of more than 70 per cent of the world's population. In our view, détente will not serve the desired objectives if the people of the third world continue to live on a minimum subsistence level and continue to be subjected to economic exploitation. Furthermore, we should recognize that the cause of world peace and international co-operation cannot be achieved in isolation from the basic issue of establishing a just international economic order.

218. My delegation disapproves of the cries which have been raised by certain quarters regarding the prices of certain commodities. Such cries are misleading. We know that these very quarters have kept silence when the prices of grains and foodstuffs were doubled, which in effect exhausted the limited resources of the developing countries and increased the misery of the people.

219. For all this, we demand and insist that our deliberations at this session must produce positive and practical results in order to minimize the hazards which threaten the economies of the poor countries with further devastation and misery.

220. It is interesting to enumerate for the record some facts which contributed to the creation of the present crisis in economic relations between the developing and the developed countries.

221. Most of the industrialized countries failed to fulfil their commitments as called for by the International

¹⁵ Declaration adopted by the Conference of Foreign Ministers of Non-Aligned Countries at Georgetown (Guyana) on 12 August 1972.

¹⁶ Declarations adopted by the Fourth Conference of Heads of State or Government of Non-Aligned Countries, held at Algiers from 5 to 9 September 1973.

Development Strategy for the Second Development Decade. Specifically, the industrialized countries failed to allocate 0.70 per cent, that is to say, seven tenths of 1 per cent of their gross national product, to assist the developing countries.

222. The industrialized countries continued their policy of imposing restrictions on and erecting barriers to the trade with the developing countries.

223. The monopolization of technology by the developed countries, or at best making its transfer extremely expensive, means that the economies of the developing countries will continue to be backward and will remain as a market for all types of manufactured goods.

224. The maintenance of high rates of interest on credits and loans intended for development in fact worsens the economic condition of the developing countries and impedes the pace of economic and social progress.

225. The price increase in such essential commodities as wheat, rice and sugar, coupled with the monopolistic policy of long-term contracts in such commodities, has deprived the developing countries of an opportunity to get its requirements at the normal price.

226. The adoption of a trade and monetary policy by most of the industrial countries that led to the deterioration of the international economic structure in turn jeopardized the sustained growth and prosperity of the world on a world-wide scale.

227. We all know that the economies of the developing countries were severally exposed to the effects of inflation in the industrialized countries during the last years. The developing countries have at various occasions warned of the serious consequences of inflation upon their economies, and the necessity to curb it. They also demanded the reform of the international monetary system and their participation in any solution that will serve the interests of all nations.

228. My delegation welcomes the measures announced by the Governments of Kuwait, Saudi Arabia, Iran, Algeria, the United Arab Emirates, Libya, Iraq, Qatar and Canada in regard to the provision of additional capital for aid in development programmes in countries of the third world. We seize this opportunity to join with several representatives at this session in appealing to the industrialized countries to take similar measures which will ensure additional aid to the developing countries, so that all countries could channel their assistance through common and long-term programmes which will bring real and urgent solutions to the suffering of the poor countries.

229. It is an indisputable fact that the problem is a vast and complex one which needs the co-operation and understanding of all of us. Let us, therefore, deal with it in a collective manner which will ensure the formulation of a just economic order with the participation of all concerned. We feel that we should agree to start an objective and serious dialogue between selected and prominent experts from the developed and developing countries in order to achieve some results that can alleviate the fear which

threatens the future of our generation and humanity at large.

230. Mr. CASTILLO VALDES (Guatemala) (*interpretation from Spanish*): Mr. President, my delegation wishes to convey to you its cordial congratulations on your election to preside over the United Nations General Assembly at this its sixth special session, for as we said in our statement at the twenty-eighth regular session [2146th meeting], your appointment is further recognition of your prestige as a jurist and your personal qualities, which you have devoted to the service of the international community.

231. Like other delegations which have spoken before us, my delegation considers that this special session of the General Assembly may well constitute an historic milestone in the already long journey of this eminent Organization. No one is unaware of the extraordinarily dynamic process through which a series of circumstances have been developing in the past three or four years in the field of trade and international finance, to such a degree that they have changed, perhaps forever, the rules which for over a century had been determining the course of development in our countries.

232. Accordingly, the initiative of establishing a new international economic order is not really a rhetorical approach or a simple declaration of intent, but, rather, it entails an unavoidable necessity to reorder the conditions within which we will have to carry on our economic business. This affects the countries of the world and what remains of the current century.

233. These rules will have to be governed by the fundamental consideration, which has been mentioned so many times already, of the interdependence and community of interests that obtain between countries. The so-called developing countries have to participate actively in the building of this new order of ideas which, while it will permit stability and growth in international trade and facilitate the process of every country's development, encourages a better distribution among nations of the benefits to be attributed or ascribed to such development and ensures the attainment of the fundamental objectives proclaimed in the United Nations Charter.

234. As one of the keystones of this new international economic order to which we aspire, Guatemala once again confirms its support of the International Development Strategy. Within the context of that Strategy, every country will have to decide on the scope, the characteristic features and modalities of the process of change and development which it wishes to foster in the interests of the majority of its population. In this connexion our country has made a tremendous effort, ever since 1970, going beyond the quantitative goals included in the programme of action adopted by the General Assembly for the Second Development Decade [resolution 2626 (XXV)].

235. None the less, we must recognize that the domestic effort of a country falls short and becomes inadequate in view of the enormity of the problems and obstacles to development for the smaller nations, particularly owing to their vulnerability to phenomena alien to their control. Indeed, our economy continues, and will continue for some

considerable period of time, to be exceedingly dependent on international trade, and hence we consider that the only way of ensuring that the domestic efforts that every country is making to promote its own development are not thwarted is through the establishment of appropriate conditions at the international level to ensure reasonable participation by the developing countries in the benefits to be derived from an expansion of trade, the exploitation of natural resources, the development and application of science and technology, and the development of human resources.

236. Among those conditions—those which eventually will define a new international economic order—my country has adhered to the following policy guidelines.

237. First of all, with respect to international trade there should be an expansion of the general non-reciprocal preferences by the industrialized countries for goods coming from the developing countries and there should be a total elimination of non-tariff barriers. Producer and consumer countries should subscribe to agreements on commodities. There should be buffer stocks set up and financed for certain products, particularly basic food-stuffs, and international transport and shipping should be regulated.

238. In the field of finance, we recognize that with the restrictions now imposed by the external sector on our development it will become indispensable to have a mobilization of international financial resources over a long period of time. These resources should come from both public and private sources. With respect to public finance, we continue to stress the need to raise the volume of resources available to multinational financial development organizations in order to allow them to extend their operations, improve conditions of financing and eliminate the strings which still are tied to aid in some cases. We view with increasing concern the burden of debt-service which now falls to the developing countries, tending to reduce, and not to increase, the net contribution of external public finance to our development.

239. With respect to private financing from abroad, we consider that it is possible to reconcile the goals of the developing countries with the short-term interests of foreign capital, including the transnational companies, and undoubtedly it will become necessary to work out rules of the game which are precise and clearly defined on this point.

240. With respect to monetary reform, we recognize the urgent need to reform the international monetary system, whose functioning is abnormal now and which has undoubtedly contributed to the inflationary pressures that are already endemic in the world today and that endanger all our development plans. We have supported a more prominent role to be played by the IMF in the reordering of this monetary system and greater weight should be given to the special drawing rights within universally accepted monetary reserve currencies.

241. I turn now to the development of science and technology. In recent years people have become increas-

ingly aware of the fact that the dependence of the developing countries is not limited to the field of trade and finance but extends also to the field of technology. In this sense, we support any proposal within the international community which would facilitate the access of the developing countries to technology and which would make possible the development of indigenous technologies in those countries. This is a field which clearly calls for international co-operation, and while it involves serious difficulties it also offers a broad potential.

242. Guatemala is one of the developing countries which is most severely affected by the relentless rise in the cost of imported fuel, so we are well aware of the impact of the energy crisis in all its full dimensions. We consider it a matter of top priority for international organizations to grant technical and financial assistance to developing countries to enable them to diversify and broaden their energy reserves resources and reduce their dependence on imported energy. Moreover, the rational exploitation and utilization of energy resources should be a matter for international co-operation in order to reconcile the interests of all parties concerned.

243. Lastly, we support initiatives to provide financial relief to those countries which are coping with serious problems in their balance of payments because of the rise in the cost of oil. In this connexion, we think that the IMF should work out the proper machinery.

244. Guatemala repeats its unshakable faith in the advantages of associations that are now being integrated, of groups of countries with similar characteristic features and problems. We have attempted to perfect and restructure the process of integration in Central America, and all the political measures to which I have just referred should take concrete form in the broadest possible context of such a process.

245. At the outset of my statement I said that this session may well mark an historic milestone, not because we feel that final or definitive solutions on problems as varied and complicated as those which are included in our agenda will emerge from it, but rather because it marks the beginning of a process which will culminate in deep and far-reaching permanent reforms in economic, finance and trade relations—and hence in political relations—between the countries Members of this Organization. In order for this noble and ambitious undertaking to meet with success, we will have to define with full clarity the international framework in which the debates will be held and from which concrete proposals will emerge. Guatemala considers that the existing institutional machinery that we have, including UNCTAD and the IMF, are adequate as forums to serve this purpose, and all that is lacking is an element for co-ordination and conciliation of all these activities in order to imbue them with a unity of purpose. We consider that this task can be carried out by an *ad hoc* group appointed by the General Assembly.

The meeting rose at 6.40 p.m.