



CONTENTS

Agenda item 2:

General discussion of international economic and social policy (*continued*)

Speakers:

Mr. Prebisch (UNCTAD)	23
Mr. Gregh (France)	25
Mr. Gallardo Moreno (Mexico)	27

President: Mr. PÉREZ GUERRERO (Venezuela).

AGENDA ITEM 2

General discussion of international economic and social policy (E/4454, E/4467/Rev.1, E/4486/Add.1, E/4488 and Add.1-5, E/4496, E/4511 (Summary), E/4515, E/4525, E/4551; E/CN.5/417 and Corr.1 and Add.1 and Add.1/Corr.1 and Add.2 and Summary; E/CN.11/825; E/CN.12/806, E/CN.12/808 and Add.1; E/CN.14/409; E/ECE/703) (*continued*)

1. Mr. PREBISCH (Secretary-General, United Nations Conference on Trade and Development) said that he would deal first with the recent session of the Conference and then with the global development strategy to be followed in the second Development Decade.

2. Many of the judgements passed on the second session of UNCTAD were exaggerated. It was true that, as he had stated in his report to the Secretary-General of the United Nations on that session,¹ the results achieved had been very limited and incommensurate with the dimensions and urgency of the development problem. On the other hand, seeds had been sown which could prove important if they received the care that would enable them to germinate and bear fruit. He was referring in particular to the three questions which the Conference had left unsolved: preferences; the transfer from the developed to the developing countries of financial resources equivalent to 1 per cent of their gross national product; and supplementary financing.

3. In so far as preferences were concerned, the Conference had taken a step forward by recognizing, for the first time, that the developing countries needed a system of preferences for their manufactures and semi-manufactures. It was a pity that it had not gone further and laid the basis for the application of such a system. Nevertheless, it has decided that the matter should be discussed further by the Trade and Development Board at its session in September 1969, when, it was hoped, a solution to the problem would be found.

¹ UNCTAD document TD/96.

4. Similarly, the decision that the transfer of financial resources should be based on 1 per cent of the gross national product rather than the national income of the developed countries represented progress; it would result in a 25 per cent increase in the volume of resources transferred to the developing countries. No decision had been taken concerning the year in which the policy would come into effect, but it was hoped that that matter, too, would be settled by the Trade and Development Board at its session in September 1969.

5. The Conference's attitude to the question of supplementary financing had been more negative than had been expected. At one time there had even been talk of adopting a more retrograde course than that proposed by the Swedish and United Kingdom delegations at the first Conference. Fortunately, the decision finally adopted on the subject (resolution 30 (II)) constituted a small step forward and it was again hoped that the Board would bring the matter to fruition.

6. It would thus not be possible to assess the results of the second Conference properly until after the September 1969 session of the Board. The seeds had been sown and all that was required was the political will to ensure that they bore fruit.

7. The second Conference had again demonstrated the unwieldiness of the UNCTAD machinery. Steps would have to be taken to make it more effective and give it the negotiating capacity it required. The draft resolutions on the subject submitted by the Chilean, Indian and Swedish delegations were being discussed within the secretariat and it was hoped that the matter would be dealt with by the Trade and Development Board at its next session. The secretariat intended to submit proposals in that connexion.

8. Concern had been expressed at New Delhi over the fact that, owing to its overcrowded agenda, the Conference had been unable to tackle the question of a global development strategy. It was hoped, however, that that question would be further debated by the Trade and Development Board. The progress made in evolving a development strategy was apparent and the attempt to do so showed that ideas had advanced considerably since the beginning of the first Development Decade. It had, for instance, come to be realized that the development problem was common to both developed and developing countries. It had also come to be realized that a large part of the responsibility for solving development problems rested with the developing countries themselves. It was generally agreed, for instance, that they could not adopt modern technology until they had reformed their economic and social structures, introduced new ideas concerning family responsibility and population growth and taken measures to promote social mobility and deal with income disparities. One of the basic lessons learnt

from the first Development Decade was that the developing countries needed to agree on a policy which would lead to increased trade among themselves and to regional and sub-regional integration. Faster economic growth was not to be achieved solely through international co-operation. The best laid plans for international co-operation in trade and finance would come to nothing if the developing countries failed to adopt a vigorous policy of their own.

9. A successful development strategy meant recognition of the principle that the measures taken by the developed and developing countries must be convergent. UNCTAD had sought to gain greater access for the commodities of the developing countries to the markets of the industrialized countries, to establish a new preferential system and to stabilize commodity prices. Some progress had been made on those matters. But the tremendous problem of bridging the trade gap could not be solved through action by the industrialized countries alone. Part of the solution would have to be found in increased trade among the developing countries themselves.

10. How were the problems of internal reform and policy revision to be fitted into the concept of a global development strategy? The need for economic and social reform in the developing countries had been recognized and so had the need for a greater flow of finance to those countries: what had not been fully recognized was the link between the two needs. Economic and social reforms could not, of course, be imposed from outside or regulated by international decisions. But the basis for a policy of international financial and technical co-operation must be laid by the developing countries. Any increase in loans, whether multilateral or bilateral, should depend very closely on what a country was willing to do to vitalize its economic system. A country unwilling to make the necessary economic and social reforms could continue to receive international assistance for specific projects, but not the sizable sums sufficient to finance a complete development plan. There were shortcomings on both sides. Many developing countries still only paid lip-service to the idea of planning, while the international financing institutions did not clearly recognize the need to finance development plans. Moreover, the industrialized countries still did not realize that the most disruptive influence on a plan was usually external; the continuous price fluctuations to which the developing countries' products were subject could upset any plan. That was where a policy of supplementary financing could play a major role. It had been suggested at the second Conference that if agreement was reached on commodity price stabilization there would be no need for supplementary financing, but that was a mistaken idea. It was not possible to reach stabilization agreements for all commodities and where stabilization was possible it could not be absolute as was shown by the cocoa agreement. Supplementary financing was thus essential.

11. He had drawn attention to those matters in order to point out that the current intellectual attitude to development was very different from that which had emerged after the Second World War in GATT. The whole idea of GATT was based on the principle of reciprocity, a

principle which had yielded satisfactory results for the industrialized countries and had culminated in the Kennedy Round. The principle had not, however, evolved in such a way as to facilitate trade between the developed and developing countries. The developing countries could not grant reciprocal terms to the developed countries and reciprocity must therefore give way to convergence.

12. At the recent meeting of ACC, the Under Secretary-General for Economic and Social Affairs had explained what was being done to quantify objectives. The Department of Economic and Social Affairs had produced an econometric report which contained calculations on the mobilization of the developing countries' domestic resources, the contributions required from the developed countries and the extent of the trade gap. The UNCTAD secretariat had been working on similar lines. He referred in that connexion to the comments of the Director-General of FAO on the Indicative World Plan (1532nd meeting). The calculations would make it possible, for the first time, to determine the actual size of the international effort required under the plan, both in trade—to expand exports from developing countries to developed countries and to other developing countries—and in financial assistance; 1 per cent of the gross national product would appear to be the requirement consistent with a growth rate of 6 - 6 1/2 per cent. While the progress thus made was considerable, much remained to be done. He hoped that the Committee for Development Planning would make good use of the valuable material already provided or being prepared by the United Nations and the specialized agencies in order to fix quantitative targets for States—though those targets were not to be regarded as commitments.

13. To indicate the extent of the measures needed to stimulate the growth rate was probably as much as could be done. Plans for feeding the population, or reducing mortality and illiteracy, while essential parts of national programmes, were perhaps out of place in global plans for regulating international co-operation and the flow of finance from developed to developing countries. It might not be profitable in the present circumstances to become involved in spheres where the problems should be dealt with primarily at the national level. He had discussed the matter many times with the Under-Secretary-General for Economic and Social Affairs and hoped that his Department and UNCTAD would be able to co-operate in that respect.

14. One point that should not be overlooked was that for planning and executing an international strategy permanent evaluation machinery would be needed to make an annual appraisal of what had been done, by both developing and developed countries. The value of a global strategy was that it covered all those involved and all aspects of the problem. The recent difficulties of some developed countries were national matters and irrelevant to international co-operation; they should not be allowed to make international strategy even more complicated than it already was or to divert attention from the problems of development.

15. In formulating and executing international strategy the important question to consider was how to make

the best use of the machinery of the United Nations and the specialized agencies to obtain effective action. After twenty years of international bureaucracy, the question had to be asked: was the present system of proliferating organizations and meetings the best? He was not using the term "international bureaucracy" in any pejorative sense. During the past twenty years, the basic ideas on economic development had come not from the academic world but from the United Nations and its agencies; it was the international bureaucracy which had produced the new ideas which had led to the plan for a global development strategy. He hoped that it would not lose its initiative and imagination in the new Development Decade.

16. Mr. GREGH (France) described the effects of the recent strikes and unrest in France on the country's economy and remedial measures the Government intended to take. The pressure exerted by workers for improved living conditions had resulted in the granting of general wage increases of the order of 11 per cent. The Government's primary objectives on the domestic front were the resumption of full production and the maintenance of prices, to ensure that the benefits of the wage increases were not lost and that exports remained competitive. Special loans were being made available to small and medium-sized enterprises, the central bank rediscount ceiling for commercial banks had been raised and tax payment time-limits extended. Some price increases were inevitable, but they were expected to be limited by the end of the year to an average of 3 per cent through measures of voluntary restraint based on concerted action between the State and private industry and commerce. Charges for certain State services such as rail goods transport and electricity for industrial use would not be increased. Although it had raised the Bank rate from 3.5 to 5 per cent to check the outflow of capital, the Government had not abandoned its cheap money policy, which was essential for a fresh upswing in production and for price maintenance.

17. To counteract the speculative withdrawals of capital from France, which in May and June had resulted in a loss of over \$1,000 million in gold and foreign exchange reserves, the Government had instituted emergency exchange control measures. Those measures were of a temporary nature and would not affect foreign trade, current commercial operations or the external convertibility of the franc. The system of export credits and insurance had been made more flexible until 1 January 1969 and a declining scale of export price increases had been authorized to compensate for the wage rise. All commitments with regard to imports would be honoured. As from 1 July 1968, customs duty within EEC had been abolished and the tariff applied by France to the rest of the world reduced to the level of the Community's common external tariff, which had itself been reduced in accordance with the agreements reached in the multi-lateral trade negotiations at Geneva. Only some 15 per cent of France's imports were affected by short-term restrictions applied in four sectors, without discrimination, essentially to prevent importers of certain goods from profiting unduly from the interruption in domestic

production. Even those imports might well exceed the 1967 level.

18. The emergency measures adopted would seriously affect France's growth prospects, not only for the rest of 1968, but also in 1969, and possibly even further in the future. The budget deficit in 1968 would be virtually double the originally estimated figure. With the margin of unused capacity there was little danger of demand inflation, but the Government was taking vigorous action to counteract the real risk of cost inflation. To boost production the Government intended to encourage investment within the next few months; it could then adopt a more active employment policy. Despite the strikes, gross domestic product was still expected to show an increase of 3.5 per cent in 1968. Although the country's balance-of-payments position was still deteriorating, that trend was expected to be reversed in the autumn and the Government intended to maintain the parity and convertibility of the franc and to continue its assistance to developing countries to the extent circumstances permitted.

19. Commending the Secretary-General on the realistic appraisal of the world economic situation that he had made at the 1531st meeting, he noted the Secretary-General's statement that it was by no means certain that the rate of development during the 1960s had been slower than in the 1950s, despite the widespread feeling that the current Development Decade had been a failure. It had perhaps been unwise to attach so much importance to the idea of an average rate of growth for all developing countries in the 1960s, in view of the numerous differences between them. A growth target for gross national product could be of psychological value, but it would be rash to assume that because an average level had not been reached the situation was bad. Moreover, the 5 per cent target had been chosen arbitrarily, without proper study of what was feasible with the means of development available in each region, country and production sector. The Committee for Development Planning had therefore suggested that the Council should adopt, for the second Development Decade, an over-all target based on a series of targets set for different sectors of the economy in the different regions. His delegation would elaborate on that idea during the discussion of agenda item 4 in the Economic Committee.

20. He thought that the main causes of the failure to attain the over-ambitious objectives set for the first Development Decade lay in the inadequacy of material resources, especially finance, and of human resources. Internal savings in the developing countries were undoubtedly inadequate. Since private and public *per capita* consumption increased at about 2 per cent per annum in most developing countries, while their population also increased at 2 to 3 per cent, the total increase in consumption was 4 to 5 per cent. Yet the gross national product had increased on average by only 4 per cent between 1960 and 1966. The rate of saving must therefore have declined in a number of countries during that period. Population growth was closely linked with economic growth, and the imbalance was undoubtedly increasing rapidly in certain regions. Even where family planning programmes proved successful, their effect on population growth would only be felt after a considerable delay.

21. Inadequate domestic savings forced countries to rely on external capital for development. However, efficient operation and maintenance of the productive capacity created required growing imports of raw materials and spare parts, thus adding to the burden of external debt servicing. Insufficient foreign exchange often resulted in under-utilization of capacity. One remedy was to increase exports to industrialized countries, but a country with a near-subsistence level of domestic consumption was hardly in a position to produce sufficient exportable surpluses. It was true that some countries had established export-oriented sectors, generally producing raw materials or agricultural products, but such exports were vulnerable to price fluctuations. His Government had often advocated international action to ensure that price fluctuations did not operate, as they too often did, only to the advantage of the purchasing countries, thereby in effect reversing the flow of capital.

22. Inadequate efforts in the agricultural sector, too often neglected because of the priority accorded to industrial development, could seriously handicap economic growth. The relation between economic growth rate and agricultural production was clear when the agricultural products were industrial raw materials. It was less apparent, but just as real, in the case of foodstuffs. If supply did not at least keep pace with demand, especially in urban areas, prices increased and the purchasing power of wages fell. That could be remedied only by restricting development in order to check the rise in incomes, or by importing foodstuffs at the expense of imports of capital goods and raw materials. The disastrous consequences of the poor harvests in 1965/66 and 1966/67 had convinced many Governments of the need for adequate agricultural development and a proper balance between agriculture and industry. The Secretary-General had referred to the role of technological advances in agriculture, such as the development of new varieties of seeds, but increased food production also required massive investment to ensure that adequate means of irrigation and supplies of fertilizer and insecticides were available when needed, and also vocational training facilities.

23. Changes would have to be made in techniques and habits of cultivation. In addition to the technological revolution of the countryside already started in some countries, improvements would have to be made in storage and distribution facilities and in price and credit policies. Sometimes agrarian reform was a prerequisite for increased agricultural production.

24. If hunger and malnutrition were to be eliminated, the problem of finding a better balance between agriculture and industry must also be a matter of concern for public authorities. They should direct more investment resources to the industries on which the development of agriculture depended, making available the necessary factors of production and thus creating work for the rural population freed by the growth of agricultural productivity. Industrial investment policy should take into account the lessons of the past and the new priorities they indicated. It should also provide for better utilization of existing resources in order to avoid overlapping of activities.

25. The material resources devoted to economic development during the current decade had not been sufficient, but it was also the case that the human resources had not been put to proper use. Most of the developing countries had suffered from a serious shortage of qualified manpower at all levels. If that shortage could be overcome the economic effects would be substantial. It would need considerable effort and a long-term programme in education and training to remedy the situation, as had been confirmed by the Director-General of UNESCO in his comments at the 1534th meeting on the position of young people in the industrial society. There would have to be a change of ideas in the developing countries, where systems of teaching were too often based on those of the industrialized countries, which they were finding inadequate. Audio-visual aids were particularly useful and experiments in African countries warranted careful study. Teaching and training by television also offered promising results. His delegation would speak in greater detail on human resources under agenda item 9.

26. With regard to programming methods, the idea of planned development was gradually gaining ground and nearly all the developing countries considered programming essential for the best use of resources. It was open to question, however, whether the models which had hitherto served for medium or even longer term plans might not suffer from a contradiction between the refinement of method and the lack of sufficient statistical information. Moreover, the theoretical nature of plans was all too often shown up by the fact that the annual programmes were not really integrated into them. It might be advisable to replace such detailed econometric models by more flexible methods, such as a global system under which broad physical targets would be set (e.g. for agricultural output, fertilizers, power, etc.) and priorities clearly defined. Where agriculture was a major sector, the growth rate of the gross national product and the volume of savings might vary considerably from one year to another through the effects of climatic and other hazards. Annual programming should therefore be flexible. In the light of annual fluctuations in the main economic variables, the economic budget could, within the framework of the medium-term objectives, establish more detailed and realistic short-term objectives.

27. During the second Development Decade it would be desirable for the regional economic commissions to pursue their efforts to promote intraregional co-operation, so as to avoid duplication of work, to facilitate tariff agreements and to encourage joint action by countries to co-ordinate their export policies in certain key products, and even to reach interregional agreements in certain spheres.

28. The difficulties experienced by France and other developed countries showed that they too suffered from growth problems. Because of the interdependence of economies, those difficulties also had repercussions on the developing countries. Although the developing countries were aware that their own progress would depend chiefly on their own efforts, development was still a common task and the objectives of the Charter in that respect could be achieved only through active and organized international co-operation.

29. The United Nations was essentially the forum where representatives of States could exchange views, discuss policies and seek the best solutions to their problems in a spirit of mutual understanding. It was also the place where directives were formulated for the Secretariat. The new objectives for the coming Decade should be decided by close co-operation between all concerned and on the basis of the experience gained during the current Decade.

30. Mr. GALLARDO MORENO (Mexico) welcomed the continuing attention paid by the United Nations to economic and social policy. He had particularly appreciated the Secretary-General's opening statement and the statements by the Director-General of UNESCO and the Secretary-General of UNCTAD, all of which had stressed the United Nations' work in connexion with the coming Development Decade. He had been particularly struck by the reference to the young people of the world by the Director-General of UNESCO.

31. Reports and statistics gave evidence of worsening conditions in the developing countries: their growth rates were diminishing or non-existent; their percentage of the volume of world trade had fallen and many of their products had decreased in value, while those of the developed countries had continued to increase. The trade gap between developing and developed countries was bigger than over.

32. It was important to learn from the experience gained in the first Development Decade and when establishing goals to decide the means of achieving them as well. New methods were necessary, new and far-reaching programmes must be drawn up. The importance of national development efforts must never be forgotten, but he agreed with the Secretary-General of UNCTAD and the United Kingdom representative that development was a joint responsibility and could not be achieved without international co-operation. The specialized agen-

cies and the other organs of the United Nations system should give priority to measures within their particular spheres of competence. New standards for shipping and air transport, in particular, would be of special value to the developing countries. It would also be useful if on any given problem all members of the United Nations system could propose specific measures within their fields of competence. In that connexion he drew attention to paragraph 268 of the report of the Committee for Programme and Co-ordination (E/4493/Rev.1).

33. Countries were realizing more and more the benefits of planning, and at the same time the complex problems involved. One of the problems in Latin America, for example, was the lack of adequate and accurate statistics. The major difficulties were perhaps the instability of the export income needed to finance economic development, the instability of prices for primary products on the international market and the lack of markets for manufactured goods, without which it was difficult to decide on production requirements.

34. It was vital that the United Nations and all its organs should be adaptable to changing circumstances. He had in mind the work of the regional economic commissions, some aspects of which had originally been important but were now being superseded. In that connexion he supported the suggestions by the representatives of Sweden and France. It would be useful if the economic commissions could concern themselves with promoting exports and integrating world trade, once machinery had been set in motion for integrating continents or groups of countries. Many of the serious political problems at present facing the United Nations might diminish if it faced up to the problems of under-development.

The meeting rose at 4.40 p.m.