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AGENDA ITEM 2

General discussion of international economic and social policy (E/4332, E/4343, E/4352 and Corr.1 and Add.1, E/4353 and Add.1 and Add.1/Corr.1, E/4361, E/4362 and Corr.1, E/4363 and Add.1-2, E/4370, E/4378, E/4392, E/4396 and Add.1-3 and Add.1/Corr.1; E/CN.11/L.184, E/CN.11/L.185/Rev.1; E/CN.12/767, E/CN.12/768; E/CN.14/370, E/CN.14/397; E/ECE/656) (*continued*)

2. Mr. SEN (Director-General, Food and Agriculture Organization of the United Nations) said that the Council's decision to make world food aid one of the main themes of its present session reflected the gravity and urgency of the problem and the greater preparedness of the international community to accept its responsibilities in the matter. The world food situation was still extremely precarious. Poor harvests in the developing countries, resulting in a rise in their food imports and a drain on their foreign exchange resources had, together with the fall in grain stocks in the United States, made world hunger an increasingly disturbing problem despite two decades of development efforts.

3. In resolution 2096 (XX), the General Assembly had called for an inter-agency study of multilateral food aid. At its present session the Council had before it a joint progress report by the Secretary-General and the Director-General of FAO (E/4352 and Corr.1 and Add.1) and a progress report by the latter to the FAO Committee on Commodity Problems (E/4370). In his own report, he had tried to assess the possible dimensions of food deficits in 1975 and to examine alternative institutional approaches for a large-scale multilateral food-aid programme. Account had to be taken of the powerful economic impact such a programme would have, particularly on the agricultural production of recipient countries and on normal commercial trade. In view of its complexity, it would be desirable to direct the maximum possible portion of the aid provided through multilateral channels, if possible through a single agency. Special attention would also have to be given to the problem of financing purchases from developing countries which were not in a position to make supplies available on concessional terms. Of course, multilateral food aid could not be contemplated as a permanent feature. In view of the opportunities opened up by the advance of science and technology, it could be assumed that the imbalance between population and food supply would be corrected in time. The real question was to speed up the process with the co-operation of the food-deficient countries themselves.

President : Mr. M. KLUSAK (Czechoslovakia).

Present :

Representatives of the following States: Belgium, Cameroon, Canada, Czechoslovakia, Dahomey, France, Gabon, Guatemala, India, Iran, Kuwait, Libya, Mexico, Pakistan, Panama, Peru, Philippines, Romania, Sierra Leone, Sweden, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Venezuela.

Observers for the following Member States: Australia, Brazil, Central African Republic, Chile, China, Ghana, Iraq, Japan, South Africa, United Arab Republic.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization, Universal Postal Union, World Meteorological Organization.

Report of the Council Committee on Non-Governmental Organizations on applications for hearings

1. The PRESIDENT proposed that the Council should approve the recommendations of the Council Committee on Non-Governmental Organizations concerning applications for hearings, as contained in its report (E/L.1169).

It was so agreed.

4. The first task of such countries was to narrow their food gap by implementing appropriate population policies and developing their own agricultural sectors to produce their own requirements. To that end, it was essential that national development plans should be set in an international framework and take account of world economic trends and prospects. The FAO Indicative World Plan for Agricultural Development would provide such a frame of reference and would serve as a useful instrument for guiding both development and development aid. The conclusions of the Plan would be submitted to the World Food Congress in 1968. On the basis of the foreseeable demographic increase and the economic growth target of 5 per cent set by the United Nations for the Development Decade, however, it could already be seen that food availabilities would have to increase by $3\frac{3}{4}$ per cent per annum. The developing countries would not be able to achieve that target without considerable aid from the developed countries, particularly aid in the form of production requisites such as fertilizers, insecticides, farm equipment and high-yielding seed varieties. The FAO had therefore taken the initiative in preparing a food production resources programme which would be submitted to the FAO Conference in November 1967.

5. The second task was to enable the developing countries to develop their trade, including trade among themselves, and in that connexion efforts were being made by UNCTAD and GATT to re-examine trade and financial policies. Meanwhile, an agreed policy on food transfers on non-commercial terms was urgently needed. The arrangements made on cereals as a result of the Kennedy Round and the convening of an International Wheat Conference to renew the 1962 Agreement were important decisions for the future of food aid.

6. Lastly, any significant progress in agricultural development would require an improvement in investment and credit terms. Farm production could not afford to contract loans at high rates of interest. A satisfactory solution was being provided by the loans granted by IDA on advantageous terms with long repayment periods. But government lending was no longer enough; it was time to mobilize private capital by means of subsidies or government grants-in-aid. The FAO was prepared to explore ways of increasing the volume of resources available for financing the expansion of agricultural production. Meanwhile, it was efficiently co-operating with various inter-governmental bodies such as IBRD.

7. Industry, too, had to be mobilized in the fight against hunger. The FAO/Industry co-operative programme had been designed to bring about the expansion of industries concerned in the production and distribution of agricultural foodstuffs, in particular by encouraging higher foreign investment. The creation of small and medium-sized industries in rural areas would also be an efficient means of checking the migration of the rural population towards the towns; that was a field in which FAO believed it could collaborate with the United Nations Industrial Development Organization.

8. The development of agricultural production raised many other problems, which FAO would try to help member countries to overcome. The FAO had also

succeeded in drawing youth into its activities, an important step forward under present circumstances. Millions of people were suffering from hunger or malnutrition. Speedy action was required at all levels.

9. Mr. MAHEU (Director-General, United Nations Educational Scientific and Cultural Organization drew members' attention to some suggestions for action by the Council set out in the final chapter of the UNESCO annual report (E/4347).

10. The first of them concerned the Development Decade. The UNESCO General Conference hoped that some way might be found to reduce the excessive financial burdens placed on the beneficiary countries by multilateral assistance projects and programmes, in particular those due to the heavy local costs borne by beneficiary countries and the conditions relating to the national counterpart. It was true that Governments might sometimes obtain part of the funds they needed through bilateral aid, and that was certainly to be welcomed. Nevertheless, greater flexibility was needed in the rules and criteria at present attached to the grant of multilateral technical assistance. Several different methods could be envisaged: beneficiaries might be excused payment of local costs in certain circumstances, or consideration might be given to methods of payment whereby the burden of supplying the national counterpart might be alleviated for a given period by co-operation between UNDP and the development banks. Measures of the kind would make the activities under way to promote development both fairer and more effective. Whatever the methods ultimately adopted, the desire to achieve that end had been forcefully expressed at the UNESCO General Conference, as at meetings of other international organizations.

11. The second UNESCO suggestion concerned International Literacy Day, which the General Conference had invited member States to celebrate on 8 September each year. Referring to a recent recommendation by the International Liaison Advisory Committee for Literacy, he expressed the hope that inter-governmental organizations, in particular the United Nations, and international non-governmental organizations and the national authorities in each country would enthusiastically support that event.

12. The third suggestion related to the development of information media. Five years previously, when the first satellite making possible the transmission of world television programmes had been placed in orbit, he had stressed the need to prepare international agreements on the operation of satellites. The need was even more urgent today, when the possibilities of communication by satellite had advanced very much further than the plans for using them. Accordingly UNESCO, in close co-operation with the United Nations and ITU, had prepared a programme for promoting the use of space communications with a view to facilitating the dissemination of information, the expansion of education and the intensification of cultural exchanges. The UNESCO General Conference would have before it at its next session in 1968 a report on the international problems raised by the development of communication by satellite, and on the international arrangements which might prove

necessary to ensure the use of the new media in the general interest, in conformity with the purposes of UNESCO.

13. He gave an account of the main features of UNESCO's activities as illustrated in the discussions and decisions of the fourteenth session of the General Conference, held in Paris in November 1966, which had coincided with the celebration of UNESCO's twentieth anniversary. One important feature was that both the budget and the programme had been adopted unanimously by the 120 member States. The budget was on the increase, and there was no deficit. The growth in budget appropriations corresponded to a growth in the volume of activities, and was also due to the adoption of a new method of estimating expenditure under which budgetary estimates were calculated on the basis of the level of prices and remuneration at the beginning of the two-year financial period.

14. The UNESCO programme increasingly comprised long-term plans offering considerable scope for international co-operation, particularly in scientific matters. One example was UNESCO's activities with regard to the marine sciences, in which the Office of Oceanography supplied a framework for the basic research carried on by the fifty-six States of the Intergovernmental Oceanographic Commission. Similarly, the International Hydrological Decade covered national and regional programmes, and interested member States might make offers of co-operation or put in requests for assistance, as they wished. In addition to the activities financed under the ordinary programme, there was a wide range of activities financed out of extra-budgetary resources, such as those allotted for the execution of UNDP projects within UNESCO's competence. Extra-budgetary resources currently accounted for a little less than half of the total resources used by UNESCO for its programme, thus enabling the organization to operate with a satisfactory degree of balance and independence. UNESCO was also giving its assistance to member States wishing to reach targets defined or approved by UNESCO, with the financial support of other agencies; he cited a number of examples of such assistance which showed that UNESCO could in that way intensify and expand its range of activities for the benefit of the developing countries with a minimum of administrative machinery. The UNESCO programme was therefore increasingly assuming the role of a "framework programme" offering room for the co-operation and initiative of member States and inter-governmental and non-governmental organizations.

15. Of course, UNESCO's activities were closely related to the purposes of the United Nations. On the problem of colonialism and racialism, for example, UNESCO had prepared a report on the effects of the policy of apartheid on education, science, culture and information in South Africa. In addition, it was convening a meeting of experts, scheduled for September 1967, which would probably adopt a declaration on race and racial prejudices designed to complete and bring up to date the 1951 statement on the nature of race and race differences.

16. The UNESCO was paying great attention to the problem of development too, for development was one

of the most urgent tasks of peace. The problem could not be reduced to one of economic technique and efficiency, but must also be approached politically and from the point of view of humanity and justice.

17. Turning to the co-ordination of UNESCO's activities with those of the other United Nations bodies, he stressed that co-ordination could not be viewed as a restrictive process; on the contrary, it was one of the prerequisites for the effectiveness and steady progress of activities. The UNESCO was therefore engaged in fruitful co-operation with other bodies of the United Nations family, such as the UNICEF, the World Bank group of institutes and WFP. In 1966 it had participated in nearly one hundred activities or major projects in co-operation with one or more other organizations of the United Nations family. One example was the recommendation concerning the status of teachers prepared in close co-operation with the ILO, the preparation of the World Soil Map in collaboration with FAO, and the projects conducted within the International Hydrological Decade with the United Nations, FAO, WMO, WHO and IAEA.

18. Co-ordination was particularly important in UNDP, and he welcomed the work being done by the Programme's Inter-Agency Consultative Board, which gave the specialized agencies a chance to become participating organizations, or true partners, as the Administrator had put it. He welcomed in particular the fact that unanimous agreement had been reached on the basis of the proposals on education and research in the basic sciences at university level which he had made at the Board's last session.

19. As to the problems raised by co-ordination between UNESCO and FAO with regard to agricultural education, he said that the General Conference, in resolution 2,342, had authorized him to conclude a new tripartite co-operation agreement with FAO and the ILO. At the conclusion of a meeting attended by senior officials of UNESCO, the ILO and FAO, held in Paris in April 1967, a joint report had been drawn up (E/AC.24/L.306). After reading that report, he had proposed to the Director-General of FAO that a joint division, to work alternately in Rome and Paris, should be set up to deal with the FAO and UNESCO programmes concerning agricultural education as a whole. The Executive Board of UNESCO had approved the proposal. The Committee for Programme and Co-ordination too had examined the problem during the second part of its first session held at New York in June 1967 (see E/4395, paras 21-24), and had expressed the hope that the consultations between FAO and UNESCO would be continued, with a view to setting up a joint division, with the participation of the ILO, on agricultural education and training. The Committee had also requested that the report on the meeting of the three agencies in Paris should be circulated to the members of the Economic and Social Council, and he drew the Council's attention to that document, which might help towards a solution of the problems involved.

20. Another difficulty which had arisen between UNESCO and FAO concerned the International Advisory Committee on Agricultural Education and Science. On being invited to nominate three of the fifteen members of the Committee, the Director-General of FAO had informed

him that he would be unable to accept that invitation until all the relevant matters in dispute between the two organizations had been settled. He regretted that decision and hoped that the representatives of FAO would in the near future see their way to taking up the seats reserved for them on the International Advisory Committee.

21. With regard to the world conference on agricultural education and training which FAO had decided to convene, he took note of FAO's intention to call on UNESCO for collaboration in the preparation and operation of the conference. To be sure, the organization of joint conferences gave rise to certain difficulties, sometimes of a political nature; but he was convinced that satisfactory methods would be found to ensure the essential collaboration among the specialized agencies.

22. In any event, he welcomed the decision of the FAO Council inviting the Director-General of FAO to continue negotiations with his counterpart in UNESCO with a view to reaching an agreement on methods for effective co-operation, and providing that an *ad hoc* joint committee composed of members of the governing bodies of the two organizations could be set up if the secretariats failed to settle the matter. A further welcome fact was that the representatives of governments had acknowledged that some of the difficulties met at the secretariat level were the result of a lack of co-ordination at the national level. The UNESCO had of course never claimed any exclusive competence with regard to agricultural training and science, a field which called for the joint efforts of several disciplines and several agencies. He sincerely hoped that UNESCO, FAO and the ILO would eventually find it possible to combine their knowledge and efforts so as to establish the joint division proposed by the UNESCO General Conference, with which the ILO might be associated. He was prepared to consider the establishment of that division at Geneva, if that would remove the difficulties. In any case, he was glad to see that the suggestions he had made had been taken up by the FAO Council.

23. With regard to the general review of the programmes of United Nations organizations recommended by the General Assembly in resolution 2188 (XXI), he associated himself with the conclusions of the ACC (E/4337, para. 32). In his view, a general study would necessarily be superficial and therefore redundant. On the other hand, specific studies were obviously useful. In any event, a general review of activities would require a great deal of time and entail considerable expense, for the reimbursement of which UNESCO would be obliged to apply to the United Nations.

24. In conclusion, he said that UNESCO was greatly interested in the subject of item 8 of the agenda (Development and utilization of human resources), on which the Secretary-General had submitted an important report (E/4353 and Add.1 and Add.1/Corr.1), in the preparation of which UNESCO had participated, in close collaboration with the ILO. He hoped, however, that the utilization of human resources would not be considered from a strictly utilitarian viewpoint. By the work it was doing in teacher training UNESCO was making an active con-

tribution to the training of national personnel to serve the economic and social progress of the developing countries. Conscious of the imperative need for achieving economic development and for assisting that development by supplying trained personnel, UNESCO regarded man himself as the end object of development and the proper utilization of human resources. That was the spirit which inspired its whole programme and all its activities.

25. Mr. SCHWEITZER (Director-General, International Monetary Fund) said that world economic activity, which had been rapidly expanding since the beginning of the present decade, had begun to mark time at about the middle of the previous year as a consequence of a marked slow-down in most of the industrial economies. That had served to ease inflationary pressures, but at the same time had had an adverse effect on commodity prices and exports of many developing countries. The economic slow-down in the industrial countries, most pronounced in four of them—the United States, Canada, Germany and the United Kingdom—had spared only Japan and Italy, where the trend of industrial production had remained strong. The impact of the slow-down had been felt most forcibly by the less-developed primary-producing countries; in aggregate, their exports had shown no increase in the six-month period ending last March.

26. The current situation thus differed greatly from the one which had developed in the latter part of 1965 and early 1966. The world economy had then been vigorously expanding, and for the first time in the post-war period virtually all the industrial countries had been fully utilizing their resources, or, as in the case of France, Italy and Japan, were entering a phase of economic expansion following one of sluggish activity. Moreover, the export earnings of the developing countries had increased rapidly as a result of the rising levels of demand in the industrial countries. Whereas at the beginning of 1966 some industrial countries—France, Italy and Japan—had had a sufficient margin of unused economic capacity to continue to pursue policies of expansion, others had already begun to find it necessary to restrain cost and price increases. Unfortunately, certain countries for which balance-of-payments problems had already become a matter of concern had been too slow in applying measures of financial restraint which would have enabled them to prevent an inflationary upsurge. Reluctant to resort to fiscal action, those countries had tended to place special emphasis on monetary policy. Thus, monetary conditions, already tightening as a result of the heavy demand for funds to finance private investment outlays and public sector deficits, had deteriorated and interest rates had risen to the highest levels since the 1920s. In some industrial countries credit stringency had had severe effects on certain sectors of their economies.

27. In the external field, the anti-inflationary policies adopted since 1965 had produced a marked impact on the payments positions of individual countries, but did not seem to have resulted in any lasting reduction of the payments disequilibrium in the international system as a whole. They had had little effect in balancing international capital flows, for in most cases countries had applied monetary restraint irrespective of the strength or weakness of their external payments positions.

28. Indeed, those policies had been adopted at a time when prices had been rising at an exceptional rate, while output and demand were already tending to subside. Since the middle of 1966, the industrial economies had been marking time. In perspective, that slow-down could be considered as having been both necessary and beneficial nationally and at the world economy level, for the intensity of demand in individual countries had not been compatible with the maintenance of reasonable price stability and balance-of-payments equilibrium.

29. The economic slow-down had already lasted for about a year, and it was important, not least for the developing countries, that economic expansion should be resumed in the industrial countries. Administrations everywhere were encouraging a return to more normal growth rates, mainly by retreating from the tight monetary policies of 1966.

30. In their efforts to foster economic expansion while keeping inflationary pressures under control, industrial countries encountered the difficult problem of reviving growth at rates not inconsistent with increases in productive capacity, the more so since it seemed that conflict between external and domestic objectives in certain major countries had again become more acute, after having eased during 1965. The problem posed by that conflict in the United States was especially important because the resumption of growth in that country was also in the interest of the rest of the world. However, measures to restore the United States growth rate to its non-inflationary potential were likely to run counter to an improvement in the balance on current account, especially if, in the period ahead, expansion should proceed more rapidly in the United States than in its major trading partners. That underlined the importance of appropriate policies in the field of international payments adjustment.

31. For its part, the United States Government would need to ensure that any extension of the recent trend towards easier money was pursued with the utmost caution, although a significant contribution to international adjustment could be made by other countries, principally Germany, France and Italy, which were in relatively strong reserve positions and did not face a conflict between domestic and external objectives. That would strengthen the world economy by restoring the upward trend in the industrial countries while easing the strain on the external payments position of the United States.

32. The developing countries could be expected to benefit directly from the revival of economic growth in the industrial world. The first half of the United Nations Development Decade had demonstrated a strong relationship between the growth of total output and that of export receipts. It had been found that, for different reasons, the developing countries whose output growth rates had been highest were almost without exception those whose exports had expanded rapidly. In a sense that was explained by the limited amount of external financing available to many developing countries. When those countries' export earnings declined, they found it necessary to reduce their imports; and since many of them imported

a large proportion of their raw materials and capital goods, their output was bound to be adversely affected. Thus, the slowing down of activity and import demand in the industrial countries had caused a slow-down in the economic activity of the developing countries and a decline in prices, notably of agricultural products, at the end of 1966; and although there had been some strengthening of prices since the beginning of 1967, that was attributable mainly to political disturbances and supply difficulties in some of the developing countries rather than to buoyancy of import demand on the part of the industrial countries.

33. The difficulties created for the developing countries by the adverse economic situation in the industrial world had been aggravated by the extreme credit stringency, which had reduced their opportunities for external borrowing in most financial markets and contributed to their balance-of-payments difficulties. In 1966 the developing countries' gains in foreign reserves had been smaller than in 1965, and in some cases had been replaced by reserve losses. If international demand did not revive, the developing countries might have to restrict their imports and, consequently, their output. During 1966 and the early part of 1967 the IMF facility for the compensatory financing of export fluctuations had been used on five occasions, and during the same period a number of the more advanced developing countries had been obliged to draw on the Fund.

34. In general, the developing countries had not fared as well in 1966 as in the two previous years. Not only had there been a widespread deterioration in their external position, but cost-of-living indices had shown larger increases in many instances. Moreover, output growth rates seemed to have been reduced in a wide range of countries at different stages of development.

35. That situation was to a large extent the result of purely internal influences. The agricultural sector in the developing countries, whose position had in many cases been aggravated by the drought of 1966, had not been able to meet the needs of their economies. The agricultural situation was the more serious in the light of the close relationship between foreign exchange earnings and growth of output in developing countries. In countries with a rapidly growing population but limited possibilities of exporting non-agricultural raw materials or manufactured products only agricultural exports could be increased. If output stagnated, so would exports, as increased demand for food automatically reduced the quantity available for export; it might even be necessary in such a case to pre-empt an increasing proportion of foreign exchange receipts to pay for food imports. It was disquieting that the agricultural exports (net of food imports) of the less-developed countries as a group had in recent years increased by less than 4 per cent, while there had been no increase in the agricultural exports of countries in Asia and the Middle East.

36. On the demand side, the worsening of the budgetary situation in many developing countries had become a matter of growing concern, the more so because it was most commonly associated with sharply increased current

expenditure in the public sector. That expenditure might be designed to protect some incomes against the erosive effect of inflation, but more often than not it prolonged and intensified the inflationary process, and the ultimate readjustment became all the more difficult. It was clear, moreover, that as Governments assumed an increasing role in economic development the tax structure had to be improved, if some rapidly rising incomes were not to go untapped and if the public sector was not to be a major source of imbalance in the economy. In recent years, a number of the developing countries had tried to restore external and internal balance by adopting comprehensive programmes for reconciling the competing demands upon their limited resources and improving their utilization; to do so they had resorted to exchange rate adjustments and in some cases had tried to implement rational wage policies. Those efforts at stabilization had sometimes yielded promising results, especially when the countries had at the same time tried to improve agricultural efficiency and the fiscal structure.

37. In the matter of increasing the foreign exchange receipts and import capability of developing countries, experience had demonstrated that those countries could benefit from close connexions with the markets of industrial countries. He was therefore glad to note the successful results of the recently completed Kennedy Round of negotiations, and hoped that efforts in that

direction would continue, in order to secure the elimination or reduction of tariffs on many tropical products.

38. Increases in the import capability of the developing countries depended on the possibilities they had of obtaining long-term financial resources from the industrial world. For the past few years, the flow of such resources had failed to keep pace with the growth of output in the industrial countries. Private lending and direct investment were still the main source of expansion in that flow. It was worth noting in that connexion that the industrial countries which imposed restraints on capital outflows had attempted, with some success, to insulate the developing countries from the effects of their balance-of-payments programmes. In general, however, the industrial countries had not encouraged private investment in the developing countries; the flow of investment was therefore dependent on the conditions in the industrial countries themselves, and had declined considerably in 1966. It was the more disturbing that official loans to the developing countries had shown little upward trend for some years.

39. In conclusion, he emphasized the need to renew economic growth, but in balanced fashion. That required that countries should find ways of reconciling their own interests with those of the international community as a whole.

The meeting rose at 12.30 p.m.