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**Thirty-second session**

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*President* : Mr. Foss SHANAHAN (New Zealand).

*Present* :

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Denmark, El Salvador, Ethiopia, France, Italy, Japan, Jordan, New Zealand, Poland, Spain, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela.

Observers for the following Member States: Argentina, Australia, Belgium, Canada, Chile, Colombia, Czechoslovakia, Greece, Hungary, India, Indonesia, Iraq, Ireland, Israel, Mexico, Netherlands, Portugal, Romania, Tunisia, United Arab Republic, Yugoslavia.

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

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 Civil Aviation Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

The representative of the International Atomic Energy Agency.

**AGENDA ITEMS 2 AND 5**

**World economic trends (E/3501 and Add.1-6, E/3519, E/3520 and Add.1, E/3530; E/CN.12/565 and Add.1 and Add.1/Corr.1-3; E/CN.14/67; E/ECE/419; E/L.907, E/L.908)**

**Economic development of under-developed countries and financing of economic development (E/3476, E/3492 and Corr.1, E/3513, E/3514)**

**GENERAL DEBATE**

1. The **PRESIDENT** invited the Council to consider jointly items 2 and 5 of the agenda.

2. The **SECRETARY-GENERAL** observed that the documents before the Council examined in some depth

both the record of achievement and the difficulties that had been encountered during the past year. He would focus his remarks on the problems and difficulties encountered rather than on the achievements, not out of any desire to belittle the latter or to sow seeds of doubt or pessimism, but because the Council was above all a forum for discussing basic economic problems.

3. Perhaps the most disappointing aspect of economic developments in 1960 had been the petering out of the recovery in North America. The recession which had characterized the second half of the year had been a mild one, and had been reversed in the second quarter of 1961. But it had taken its toll in lost economic potential and left its legacy in low rates of capacity utilization and high rates of unemployment. In May 1961, industrial production in the United States, though rising, had not regained the level of May 1960, and in the first five months of 1961 the average level had been 5 per cent below the corresponding figure for 1960. Largely as a result of the fall in industrial production, there had been an increase in the rate of civilian unemployment, which had averaged nearly 7 per cent in the first five months of 1961, or about 30 per cent more than in the corresponding months of 1960. One result of the slackening of demand in North America had been a reduction in imports to that area. That had had little effect on Western Europe and Japan, where internal demand was still rising, but had contributed to a reversal of the prices of raw materials moving in international trade, which had been recovering in 1959 from a setback in the previous year. North American imports from the less developed countries had decreased by about 2 per cent in 1960. As industrial production recovered in the course of 1961, imports might be expected to increase once more: but, in the first quarter of 1961, they were about 11 per cent less than for the first quarter of 1960.

4. The contrast between the slackening pace of economic activity in North America and the vigorous growth of the West European economy had raised or accentuated other problems of international equilibrium. For example, the widening of the interest rate differential between Europe and North America — due to the contrasting economic situations and differences in the resultant official monetary policies — had given rise to an embarrassing flow of short-term money eastward across the Atlantic. The effect of that had been enhanced by speculation against the dollar, induced in part by the strong creditor position built up by some of the European countries, particularly the Federal Republic of Germany and Italy. The situation had been corrected to some extent by the large trade surplus of the United States, a return of confidence in the dollar, the revaluation of the German mark and adjustments in trade and payments policies. But the events of

1960 had revealed some surprising weaknesses in the machinery of international economic co-operation and in the way in which that machinery was used. Recent arrangements for close consultation among the monetary authorities of the major trading countries should reduce the scope for speculative transactions in individual currencies, but some underlying problems remained. Certain countries had too small a current account surplus to support their position as lenders, while others had not yet fully adjusted their capital accounts to their persistent trading surpluses.

5. The less developed countries faced more intractable difficulties. In 1960 there had been a widespread increase in the rate of investments and, largely as a result of that, imports had risen sharply. Export earnings had also risen, but the increase had been much smaller than that of import expenditure, partly because primary commodity prices had begun to fall early in 1960. The consequence had been a greatly-enlarged deficit, a loss of reserves, a piling up of short-term debt and a spate of borrowing at the turn of the year to relieve pressure on the balance of payments. Fortunately, as credit had in fact been available from IMF and other sources, the rapid loss of reserves in the second half of 1960 had been recouped, at least in part, in the first quarter of 1961.

6. Difficulties caused by short-term instability of foreign exchange proceeds remained a severe handicap to many under-developed countries, but in the first year they had been overshadowed by another problem. In 1960, average price movements had been relatively small, a large majority of countries had earned more than in 1959; and aggregate proceeds had reached a record figure. The balance-of-payments difficulties that had afflicted so many countries had been precipitated by rising import expenditure. Only in very few cases had that been due to runaway import demand arising from internal inflation. Though inflationary forces remained strong in most developing countries, there was no evidence that they had increased to any great extent: indeed, under the influence of stabilization programmes in a number of countries and of a widespread expansion in domestic production as well as in imports, prices had shown rather less tendency to rise than in earlier years. What the increase in imports did reflect was a resumption of a normal — and desirable — rate of growth, after two years of restraint. The quantum of imports into the less developed countries had been less than 2 per cent higher in 1960 than in 1957; the rate of growth between 1955 and 1960 had averaged no more than 3 per cent a year, appreciably less than in the first half of the decade. The major problem was how to finance the flow of imports, which were a necessary ingredient of development, providing not only a large proportion of capital goods requirements, but also components and raw materials for emerging industries, supplementary supplies of manufactured consumer goods to balance the growth in purchasing power, in some countries fuel, and in an increasing number even basic foodstuffs to keep pace with expanding populations. What combination of trade, loans and grants was likely to prove necessary, desirable and feasible?

7. The larger part of imports would undoubtedly have to be paid for in the future, as in the past, by means of ex-

ports; and in the immediately foreseeable future, the larger part of exports would continue to go to the industrial countries, even though trade with the centrally planned countries and among the less developed countries themselves might be expected to grow more rapidly. In recent years the most rapidly expanding flow of exports from the less developed countries had been to the centrally planned countries; between 1959 and 1960 it had risen by about 16 per cent. In absolute terms, that trade was still small, however; even at its peak in 1960 it had constituted only 4 per cent of the total. Moreover, it was still somewhat concentrated on particular commodities and particular countries. On the other hand, since in the centrally planned countries per caput consumption of many of the products of the less developed countries — coffee and cocoa, for example — was still relatively low, the scope for further rapid growth in trade between the two groups remained potentially very large. The nature and rate of that growth, however, depended less on market forces than on official policy decisions.

8. There was also ample scope for the expansion of trade among the less developed countries themselves, which had been a major component in the increase in the exports of the less developed countries in 1960. But the growth had been far from uniform. The most dynamic element had been the demand for imports in southern and south-eastern Asia, where, however, part of the increase had been a reflection of transient conditions such as poor cotton and jute crops in India, decisions to increase rice and textile imports into Indonesia, and a realignment of trade in tin concentrates. Trade among the countries of Latin America had declined for the second successive year, falling below 8 per cent of all Latin American exports. Trade within Africa, though increasing slightly, had accounted for only about 9 per cent of the combined exports of that region. Arrangements for some form of regional integration (including those for a common market in Latin America), to which the efforts of the regional economic commissions had been increasingly devoted in recent years, might help to expand that type of trade, especially if investment decisions were made within the wider integrated framework of the region rather than the nation. But the rate at which exports could be increased depended ultimately on the course and pace of economic development itself. In view of the modest dimensions of that trade, its expansion was not likely to lessen very greatly — at least in the immediate future — the dependence of the under-developed countries on the industrial countries for export markets.

9. The rate at which the industrial countries expanded their intake of goods from the less developed countries depended in part on their rate of economic growth. It also depended on their trade policies and in particular on decisions at present under consideration on the extent to which domestic activities should be protected. The question should not be confined to agricultural commodities. Indeed, it seemed unlikely that sales of primary products alone would be sufficient to sustain the required rate of growth in imports of less developed countries. A share of the market for various types of manufactured goods would also be needed; and that opened up the possibility of conflict between short-term national interests and long-

term international, as well as national, considerations. Such conflicts were generally resolved with much less difficulty in a dynamic situation, in which resource mobility was high and alternative employment was available for factors squeezed out of any particular industry by foreign competition. Western Europe had an opportunity to use its present prosperity constructively in that regard. The question was one of urgency, since it affected the institutional arrangements that were now being established as a framework within which future European trade would evolve.

10. The same question should be asked of North America, but there the high rate of unemployment raised awkward problems in regard to import policy. One of the encouraging economic developments in that region in 1960 had been the expansion in United States imports of textiles from the less developed countries of southern and south-eastern Asia. Did the existence of under-utilized domestic capacity in that industry necessarily set narrow limits to the future growth of such trade? Two important considerations should influence the answer to that question. Diversification of exports was the most promising way both of increasing and stabilizing the foreign exchange earnings of the less developed countries: and the rate at which their earnings could be expanded governed their demand for imports from the industrial countries — especially for investment goods — and hence tended to set one of the principal limits to their rate of economic growth.

11. But questions regarding trade policy should not be addressed only to the industrialized countries. There were equally pressing and pertinent questions to be answered by the less developed countries. While a high degree of dependence on the import demand of industrialized countries would remain a fact of life for the less developed countries for some time to come, it should not become the justification for inertia. The room for manoeuvre was admittedly often circumscribed; but the limits imposed on the rate of growth by shortage of foreign exchange were obvious, direct and irksome enough to induce a considerable effort on the part of the less developed countries themselves to overcome them. Were the planning authorities in the less developed countries paying sufficient attention to that strategic area? What was being done to improve the quality and reduce the cost of production of major export products, particularly those which had to compete with synthetic substitutes? Was the tax structure conducive to the optimum growth of a healthy export sector? Was enough being done to open new markets for leading exports? Was it desirable to encourage structural changes in the export sector in the light of prospective trends in consumption and production of particular commodities?

12. All those questions were related to another topic which the Council had been discussing in recent years, namely, the projection of future economic trends. As a result of the initiative of the Council and of the Commission on International Commodity Trade, work in that field was now under way in several places — at United Nations Headquarters, in the regional economic commissions and in FAO. The first fruits would be presented to a joint meeting of the Commission and the FAO Commit-

tee on Commodity Problems in May 1962, which would examine the demand and supply prospects for a number of primary commodities, both agricultural and mineral (E/3497, chap. VII). At its thirty-fourth session, the Council would have before it the findings of the joint meeting on commodities, as well as preliminary findings in the broader field of more general economic projections of prospective world trends.

13. The projection of future economic trends did not involve drawing up a blueprint of world economic development or planning the course of future events, nationally or internationally. What was intended was to help to provide a basis for better answers to some of the questions which had to be answered in any event, either explicitly or implicitly, before any decision regarding action or policy could be made by governments, businesses or individuals, and thereby to make it possible to see a little more clearly where current trends were leading, where mutually incompatible policies existed, where economic problems were most likely to emerge. It was not attempted to predict the actual course of future events; indeed, one measure of the success of that type of study was the extent to which emergent problems could be forestalled by timely action, so that the projected trend was not fulfilled by the actual course of events.

14. There could be no doubt that the projection of future economic trends was a suitable task for the United Nations. The very interdependence of the world economy made it impossible to pursue such projections beyond a certain point without widening the frame of reference to comprehend the totality of trends. That did not mean that national projections were impossible or meaningless; on the contrary, they were often the foundation of global projections. But a national projection had necessarily to incorporate assumptions about what was likely to happen elsewhere, and how extra-national trends were likely to affect the domestic situation. The more detailed the work done on a global basis, the more refined such assumptions could become. In time, therefore, as the complex interrelationships among variables in more and more countries could be taken into account, it should become possible to determine their implications for individual countries with increasing precision.

15. The international flow of capital should be examined not only in relation to trade developments in 1960, but also in the light of some of the longer-term conclusions regarding the generation and use of savings that emerged from the *World Economic Survey, 1960* (E/3501 and Add.1-6). The trade gap which had widened so ominously in the second half of 1960 had been bridged chiefly by an increase in capital movements. The increase in investment in the less developed countries had thus again been financed in part by savings from the industrial countries. Thus an existing trend was continued, for in the ten years 1950-1959 the increases in the level of investment achieved in many of the less developed countries had been made possible very largely through the expanded flow of foreign capital. While it was disconcerting that in many of those countries domestic savings had risen little, if at all, in relation to output, some comfort could be drawn from the fact that the volume of foreign capital made available to them had continued to expand. Recent arrangements

and newly established machinery — ranging from the extension of export credit insurance to the coming into operation of IDA — had tended to strengthen the institutional foundations of that flow. It was a most encouraging development for many reasons, not least because the more assured and systematic the flow of capital, the greater the possibility of maximizing its effectiveness within the investment programmes of recipient countries.

16. With the increase that had taken place in recent years, the target for foreign capital flow which the General Assembly had set in resolution 1522 (XV) began to seem attainable. Any doubt on that score would evaporate — indeed a substantial raising of the target of one per cent of combined national incomes of the economically advanced countries would become feasible — if resources could be released from the claims of the world's military budgets, which continued their seemingly inexorable climb. Pursuant to resolution 1516 (XV) of the General Assembly, a group of consultants on the economic implications of disarmament would be meeting in August 1961: and it was to be hoped that such efforts to see the arms race against its full economic background — not only its astronomical cost in money terms, but also the alternative benefits to mankind that were inevitably sacrificed — would contribute an added note of urgency and realism to the course of disarmament discussions proper.

17. There were many components of the overall flow of capital to the less developed countries, each presenting its own problems and opportunities. There was, for example, the possibility of using basic foodstuffs for the promotion of economic development. He was glad that later at that session the Council would be discussing the role which the United Nations family might play in integrating aid in the form of food with programmes of economic development. Provided due care was taken to ensure that neither normal international trade nor domestic agricultural development was disrupted, the use of basic foodstuffs could add very substantially to the overall amount of aid moving to the less developed countries.

18. As was evident from the further report on the promotion of the international flow of private capital (E/3492 and Corr.1), the distribution of such capital had not been uniform and much of it had tended to move between industrialized countries. But where circumstances were suitable, an inflow of private capital had a high development potential. Usually accompanied by a good deal of technical knowledge, it tended to add rapidly to total output, providing not only an export commodity or an import substitute, but also an extension to the tax base, as well as a training ground for local labour.

19. One of the main topics for consideration by the Council was the part that might be played by the movement of short-term capital of a compensatory nature. The group of experts on International Compensation for Fluctuations in Commodity Trade had referred in their report (E/3447) to the way in which development programmes could be disrupted by sudden and violent fluctuations in the foreign exchange earnings of countries whose exports consisted very largely of primary commodities, and they had put forward some constructive proposals for achieving greater stability. He agreed with the group of experts that compensatory measures to offset the

wide fluctuations in primary commodity trade would not be a substitute for more direct measures to reduce or eliminate the instability in trade. They would merely supplement more direct measures designed to reduce the degree of instability prevailing in commodity markets. What was true of compensatory financing applied with even greater force to the provision of long-term aid. Vital as such aid had proved to be for the promotion of economic development, it should not become a substitute for more fundamental adjustments in international economic relations.

20. In the early days of the European recovery programme one had often heard the question "Trade or aid?" In its original context, history had answered that question in no uncertain way; yet, within the wider global context of economic development of the less developed countries, it remained unanswered. In some respects the difference in context was crucial: the rehabilitation of the European productive mechanism after a devastating war gave no indication of the time and effort required to raise the economic status of the less developed countries to the level at which an adequate rate of growth could be assured from their own resources. It was clear that a long, hard pull — embracing both trade and aid — would be required.

21. Further, the longer and harder the pull, the more difficult it was to devise an appropriate system of lending. The balance of payments crises among the less developed countries in recent years had been complicated by the burden of debt servicing and loan repayment. Several countries were in such a position that they could not realistically contemplate further conventional borrowing. It was evident that the trend towards public aid — grants and long-term, low-interest loans — as a source of international capital was likely to continue in the decade ahead.

22. Dependence on such aid was a dual challenge to the less developed countries: first, to make the most productive use possible of the international resources that were made available, and second, to intensify their efforts to raise the level of domestic saving for economic development. That involved not only promotion of private saving, but also an increase in efficiency in the public sector through a close scrutiny of public expenditure and a constant review of the fiscal system and the structure of taxation. That was not, of course, an easy matter, particularly in low-income countries; yet, in the final analysis, it was only through unceasing efforts in that direction that the process of economic development of the less developed countries could be placed on a self-sustaining basis.

23. Without capital from abroad, progress would be immeasurably slower and more painful; but without strenuous domestic endeavour, capital from abroad would be sterile. The problem transcended national boundaries. The Council should ask what more the United Nations could do in the coming decade to facilitate and make more productive the international co-operation that economic development on the required scale necessarily involved.

24. In resolution 1521 (XV) the General Assembly had decided in principle that a United Nations Capital Development Fund should be established, and had set up a

Committee to consider the necessary preparatory measures. The Committee in its report (E/3514, para. 23) had set forth twelve general principles governing the establishment and operations of such a Fund, the last of which stated that every effort should be made to co-ordinate the assistance rendered by the Fund with assistance from other sources so as to achieve the maximum permanent beneficial effect on the economies of the less developed countries. In the past, much of the United Nations effort in the field of capital aid had inevitably been on a short-term, *ad hoc* basis; frequently it had even been of an emergency character. One of the most urgent needs facing the international community in preparing for the long pull ahead was to increase the productivity of the aid provided under the various programmes, both bilateral and multilateral. That could be done only by placing the aid on a longer-term and more flexible basis and by providing for the integration of such aid within a comprehensive framework of development of the world economy. If a purposeful attack on world poverty were to be mounted, nothing short of a concerted world-wide endeavour would suffice. In integrating all efforts, national and international, the United Nations, as the only universal agency in which both donors and recipients shared equal responsibilities, had a strategic role to play.

25. Mr. STEVENSON (United States of America) welcomed the Secretary-General's clear-sighted appraisal of the achievements of the United Nations and of the urgent tasks which faced it. He himself had recently returned from Latin America convinced that social reforms were the only solid foundation for economic progress, and that the hope of the people for a better life was the only assurance of political stability in those countries. In the United Nations, he had mostly been concerned with political and security matters, but although they were of the highest importance, the Council's essential task was the more satisfying work of construction. But economics must always be the servant of society. Economic growth must satisfy human needs as a whole, and not only those of a fraction of the people. The greatest challenge of the century was the aspiration of people everywhere to share in the fruits of modern science and technology. The idea of progress had swept the world; the new nations aspired to telescope into decades economic development which had taken centuries in the advanced countries. Those aspirations must be met and the dangerous chasm between the living standards of different peoples must be bridged. To achieve that, the world economy must grow in capacity to produce, until enough food, shelter and clothing were within the reach of all.

26. To meet the needs of the emerging nations, the advanced countries would have constantly to increase their productive capacity; to meet its great responsibilities in economic aid, the United States was determined to make the 'sixties a decade of dynamic economic development to the benefit of all. The recent mild recession was being reversed, and the first step in his country's programme for growth was to move towards full employment of labour and full utilization of its industrial capacity and prevent future interruptions in economic progress. His country possessed the economic understanding and the political will to achieve that aim. The remarkably rapid

recovery from the devastation of war observed throughout the world had been greatly helped by international co-operation and economic aid; his country, more fortunate in having been spared the devastation of war and consequently starting from a higher base, had increased national production by more than one-third since the war's end.

27. The long-term economic and social progress of the United States had been even more impressive; the per caput income in real terms had doubled in the past quarter century. That growth, which had been accompanied by a great reduction in the hours of work, had been achieved not only through investment of capital but through the growth of technology, the economics of large-scale production, and the improvement in the quality of the labour force. Hours worked, land utilized, and capital employed determined the growth of output, according to the classic formulae; but the enormous growth of his country's economy could only be accounted for by considering also the added application of intelligence, imagination, inventions and entrepreneurship. Brains had become a real growth industry. A concept of "social capital", which included investment in education and the stock of useful knowledge, was needed. Capital investment, new knowledge and new skills were mutually indispensable. That was not to underestimate the need for capital formation; if the United States was serious about accelerated economic growth, it must step up the rate of productive investment.

28. With regard to the role of disarmament in the United States economy, an international armaments agreement would be viewed, not as a threat to prosperity, but as an economic opportunity. Although a sudden change in the direction of production would necessarily be disruptive, the United States was actively studying the economic impact of disarmament and designing measures to ease the transition.

29. The United States was setting its economic sights high for the 1960s, but the world had become so interdependent that no one country could go forward in isolation; his own country did not therefore see its goal as a one-nation project, but was thinking in terms of a world-wide effort. The United States had accordingly refashioned its aid programme to meet the needs of that decade. It was also giving increased emphasis to multilateral aid. During the past year, for example, it had participated in the establishment of the Inter-American Development Bank and IDA. The new aid programme would be aimed at bringing as many countries as possible to the point of self-sustaining growth, with the recognition that the greater part of the resources required must be generated by their own savings and export earnings. In that connexion the *World Economic Survey, 1960*, provided extremely useful information.

30. The developed, free-world countries had recently been discussing the prospects for increasing still further the flow of economic assistance to the less developed countries. The net flow of public and private aid and capital had reached the level of almost \$7,000 million annually in the years 1956-1959, compared with the annual average of \$3,500 million in the years 1950-1955. For development in the current decade, the United States' sights were

being set still higher. With the improved situation in the countries of Western Europe and Japan, he was confident that those nations had also realized that the time had come to expand and liberalize their aid. A study of development during the 'fifties showed that private capital had been a most important factor in promoting economic development. It provided initiative, skill and experience and the resources available from private enterprise were vastly greater than those available to governments.

31. His country's development policy was concerned with social justice, both in moral and practical terms, since neither growth nor political stability could be enduring until all segments of society felt that they had a stake in their country's progress. His country was determined that American assistance should be used not to enrich the few, but to improve the lot of the many; it was therefore planned to offer inducements to developing countries to adopt measures fostering social justice. His delegation supported wholeheartedly the new target of \$150 million annually in contributions to the United Nations Special Fund and EPTA and believed that the work of those two programmes in the pre-investment field, combined with the provision of capital from IBRD, IDA and regional and bilateral sources could make an increasingly important contribution during the 'sixties.

32. Problems of savings, capital formation and external aid were of vital importance to the economic growth of the under-developed countries. Another crucial factor was international trade, the growth of which was indispensable to many of the under-developed economies, which depended so heavily on exports to pay for materials and equipment essential to their development. Efforts were currently being made to explore means for dealing with the complex commodity problems affecting the welfare of under-developed countries, special attention being given to the possible role of commodity agreements and compensatory financing. But it was clear that arrangements directed solely to the problem of price instability would not suffice to deal with the single most important cause of the persistent downward pressure upon world commodity prices: over-supply and over-capacity. What was needed above all was co-operation between producing and consuming countries, a process to which the United States was prepared to give its wholehearted support. With regard to one particular group of commodities — foodstuffs — since 1954 his country had provided over \$9,000 million worth of agricultural products on very favourable terms for countries in need, whilst carefully avoiding injury to other exporters of primary commodities. The United States had taken the initiative in sponsoring General Assembly resolution 1496 (XV) on the utilization of food surpluses through the United Nations system, an initiative which the Director-General of FAO had described as beginning a new chapter in the history of human relations.

33. The United States had no ambition to determine the future of the rest of the world, and looked forward to working with the many new nations to strengthen a world order which no great Power could dominate. But it was vitally important that aid should be used effectively by governments willing to make economic and social reforms, so as to benefit the people as a whole. A society which did

not translate economic progress into social progress was doomed; the sole purpose of economic improvement was to provide a better life for all. Many countries had learned the wasteful folly of industrial development with social planning; in the shanty towns which defaced so many proud cities, all the social evils which economic progress professed to cure bred and multiplied. Improved agricultural efficiency without social reform often had similar results: people were driven off the land into squalid urban centres where there were no arrangements to receive them. Where the shanty towns had become so much a part of the landscape that they were taken for granted, the problem was all the greater. Factories, roads and dams were of vast importance, not only as symbols but as means to an end: a better life for the people; and that in turn would contribute to achieving economic goals, for social programmes raised the standards of living of the people, gave them a stake in what they were doing and improved chances for sustained economic progress. The whole of humanity was demanding a better life, and it lay within the power of man to move in peace towards that better life that the age had made visible.

34. That decade should be remembered not as a period of power struggle, but as the decade when great breakthroughs were made in man's age-old struggle to provide a better life for men everywhere.

35. Mr. MORSE, Director-General, International Labour Office, said that a recurring theme at the forty-fifth International Labour Conference had been the relationship between economic problems and policies, on the one hand, and the aims and methods of the ILO on the other. The problem was how best to attain the ILO's objectives of social justice and higher levels of living. Low-income countries could achieve only very limited social progress without rapid and sustained economic development, the basic objective of which must be to raise the levels of living of the people. The principal cause of poverty in the less developed countries was unemployment and under-employment, a factor likely to be worsened by the growth of population. After examining numerous national economic development plans, the ILO had come to the conclusion that the employment question was not always given the attention it deserved, since those responsible for investment often paid more attention to the production effects than to the employment effects of their decisions. Means must be found for converting so-called "surplus" labour into an asset rather than a liability. The International Labour Conference had recently adopted a resolution concerning employment policy, which he was requested to present to the United Nations, calling upon governments to adopt the objective of full, productive and freely chosen employment; and emphasizing the importance the ILO attached to certain types of international measures, and in particular, to action avoiding undue price fluctuations in primary commodity markets, to the promotion and encouragement of international investment, including private investment, to grants-in-aid and low-interest loans, and to arrangements facilitating the international exchange of information regarding investment forecasts and intentions.

36. A satisfactory employment policy meant more than stepping up the rate of investment or exploring the scope

for more labour-intensive techniques. It meant that the demand for more jobs must be considered along with other social and economic objectives, and the ILO therefore stood ready to advise governments on the selection and execution of employment objectives in economic development programming.

37. The Conference had also discussed the problem of saving for economic growth, referred to in the *World Economic Survey, 1960*. The ILO fully accepted the *Survey's* emphasis on investment in the material means of production, but insisted that investment in human resources through education might be at least as productive. The First African Regional Conference of the ILO had underlined the vital importance of education and training, and the need for inventiveness in devising new training programmes. The ILO was already aiding the developing countries in that field, and also provided training in management and the techniques of higher productivity, thus contributing directly to industrialization.

38. In many less developed countries there were extremes of wealth and poverty and much lavish consumption. There should be restraint on the growth of consumption in the interests of more investment and more jobs. Unfortunately, domestic savings had not increased in most developing countries, which must be an important factor in retarding growth. But the burdens and benefits of development must be equitably distributed — and fiscal policy had a major role to play in that respect — whilst general agreements on broad principles should be sought through public discussion and by building up a satisfactory industrial relations system. To achieve that, the power relationship between unions and employers must be properly balanced, and the ILO was anxious to help governments seeking to encourage the growth of unions and to strengthen their influence where it was still weak so that they could act effectively as spokesmen for the depressed groups in the community.

39. In addition to the demand for more jobs, other aspirations, such as the demand for fair wages and reasonable working conditions, social security and improvements in the conditions of rural workers, should similarly be given due weight in the process of economic decision-making. The seventh Conference of American States Members of the ILO, held in Buenos Aires in April 1961, with the theme of economic growth and social policy, had adopted a declaration recognizing the demand for social justice and improvement of social conditions in Latin America and urging vigorous and united action to bring about such improvements. It had also adopted a resolution recognizing the fundamental objectives of such development as the highest possible standards of well-being for the community as a whole and recommending that economic objectives be in harmony with social goals. The Conference had thus been concerned with the question of balanced economic and social development, and as the *Report on the World Social Situation* (E/CN. 5/346/Rev.1) showed, resources devoted to immediate improvements in social conditions were not necessarily deducted from the volume of resources that could be devoted to promoting economic growth. More needed to be known about that, but it was already clear that

expenditure which improved people's ability to work, or measures that enabled employers to make more effective use of their services, might contribute directly to economic as well as to social progress. As Director-General of the ILO, he endorsed the United States representative's statement that the only point of economic development was social development — i.e., a better life for people. On that principle, which transcended all political differences of approach, the whole world could agree.

40. Urbanization, particularly in the few largest cities, was creating appalling problems in many countries and making enormous demands on scarce resources. Yet the vast majority of workers in developing countries lived and would continue to live in rural areas. Costly urban improvements, though urgently necessary, were not the only answer; and the ILO was placing great emphasis on problems of rural development. Such a process often required far-reaching change in systems of land ownership, as well as a whole series of complementary measures, and, like so many problems, called for concerted action by all members of the United Nations family.

41. Integrated planning for combined economic and social development was something that needed to be done at government level. But there was also a need for local initiative, with full participation of the local population, in projects to provide education, training and useful work of various kinds; there too, the members of the United Nations family could work together in translating planning and programming into practical action.

42. The widening gap between levels of living in the developed and the developing countries and the slow rate at which per caput incomes in the latter were rising, was a matter of great concern. If for the time being only limited resources could be devoted to social progress, it was all the more important that those limited resources should be used where they would do most good. But that should be achieved by means that would contribute to and not impede the economic development which alone could provide the means for a good life for all.

43. Mr. DIAS CARNEIRO (Brazil), speaking as the Chairman of the Commission on International Commodity Trade, introduced the report of the meeting held in accordance with General Assembly resolution 1519 (XV) on the promotion of wider trade co-operation among States (E/3530).

44. Speaking as the representative of Brazil on item 2 of the agenda, he observed that, although the general conclusions emerging from the *World Economic Survey, 1960* suggested that modern industrial economies could attain much higher rates of economic expansion, under conditions of equilibrium, than had hitherto been thought possible, the *Survey* was much less optimistic in extending that observation to the economies of the less developed countries. The analysis of the sources and trends of saving for economic growth in the less developed countries was extremely disquieting. What the *Survey* said, in effect, was that in the less developed countries domestic savings—public and private together—were not sufficient to finance economic development. During the process of industrialization and urbanization' the low incomes

earned were absorbed in the acquisition of consumer goods, services and housing. At the same time, population growth was compelling the governments of the less developed countries to divert an increasingly large proportion of domestic savings to social welfare projects, which meant that non-inflationary resources for accelerating the rate of investment in sectors under government control — such as transport, power and communications — were extremely limited. As domestic savings were inadequate, the less developed countries were trying to increase their export earnings as much as possible and to encourage the inflow of capital: and balance-of-payments problems still represented the major obstacle to the economic development of those countries.

45. His government wished wholeheartedly to endorse the conclusions set forth in the report by the Secretary-General on trade relations between under-developed and industrially advanced economies (E/3520). He was glad to note from the report that over the past six years the Contracting Parties to GATT had made great progress in the discussion of reductions in trade barriers between the developed and the less developed countries. The statements contained in paragraphs 96 and 97 of the report were statements of fundamental principles which his delegation had championed in GATT ever since its establishment.

The meeting rose at 12.45 p.m.