



CONTENTS

	Page
Agenda items 2 and 4:	
World economic situation	
Economic development of under-developed countries	
General debate (<i>continued</i>)	51

President : Mr. C. W. A. SCHURMANN (Netherlands).

Present :

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Chile, China, Costa Rica, Denmark, France, Japan, Netherlands, New Zealand, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Argentina, Australia, Belgium, Ghana, Hungary, Indonesia, Italy, Mexico, Peru, Portugal, Romania, United Arab Republic, Yugoslavia.

Observer from the following non-member State: Federal Republic of Germany.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Civil Aviation Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

AGENDA ITEMS 2 AND 4

World economic situation (E/3361, E/3379 and Corr.1 and Add.1-4, E/3384, E/3389 and Corr.1 Rev.1, E/3391 and Add.1, E/3394, E/3396; E/ECE/383 and Corr.1 and 2; E/CN.12/541 and Corr.1, E/CN.14/28 and Corr.2)

Economic development of under-developed countries (E/3369, E/3371 and Add.1, E/3381, E/3387 and Add.1, E/3393 and Add.1-3, E/3394, E/3395 and Add.1)

GENERAL DEBATE (*continued*)

1. Mr. SHANAHAN (New Zealand) regretted that the coincidence of the Council's session with the New Zealand parliamentary session had prevented a minister from participating.

2. In the light of the *World Economic Survey, 1959* (E/3361) and the other annual economic surveys the ministerial discussion in the Council should seek to identify the major impediments to economic and social progress and to explore the means of overcoming them. The countries of the world had at their command the economic and scientific knowledge required to grapple with the supreme problem — poverty — and to reduce the growing disparity between living conditions in the

advanced countries and those in the less developed countries. The problem was to increase per capita productivity, to devote the increased resources to a greater production of the right commodities and to endeavour through international aid and trade to ensure that the world's resources were used to the best advantage of all its peoples.

3. The *World Economic Survey, 1959*, pointed to a shift in emphasis in recent years from a preoccupation with the maintenance of stability to a concern with the need for economic growth. Inflexible and abstract concepts had too often been the dominant force in national and international economic policies, and insufficient regard had been paid to the human problems. The objective of a realistic and positive economic policy should surely be the promotion of human welfare. The rate of growth required to meet the essential demands of an expanding world population was a great challenge. Not only were birth rates rising, but also the achievements of medical science had vastly increased the number of persons who survived at all ages. If, for example, infant mortality throughout the world could be reduced to the levels reached in the three most advanced countries, of which New Zealand was one, 16 million more children would survive each year. Economic growth was a vital necessity if standards of living were not to decline and if a social environment consistent with human dignity was to be established.

4. It was not enough to wish for higher standards of living; some proportion of present consumption must be sacrificed for the sake of better levels of living in the future, and the faster a country wished to increase its real income the greater that proportion must be. New Zealand's experience illustrated the particular difficulties encountered by countries heavily dependent on international trade, such as the difficulty of defining the precise relationship between rates of investment and growth. The population of New Zealand, though relatively small, had increased by 24 per cent in the past decade. In the same period the gross national product had increased on the average by 3¾ per cent a year. The rise in real per capita income had, however, amounted to only 1½ per cent at a time when the average rate of investment had remained at the relatively high level of about 23 per cent of the gross national product. That disparity was not unusual and was related to the very high proportion of New Zealand production dependent on external trade. The rate of economic growth in New Zealand had, therefore, like that of many of the under-developed countries, been sensitive to shifts in the terms of trade. That experience underlined the crucial importance, especially for the highly industrialized countries, of ensuring that trade channels were kept open to economic producers of primary commodities.

5. New Zealand had sought to diversify its economy by encouraging industrial expansion. Its experience had disclosed two very important facts: that industrialization and diversification of production had not lessened the country's dependence on a restricted range of primary exports, and that industrialization had not commensurately reduced the volume of imports needed. He mentioned the latter point because the concepts of import substitution and foreign exchange saving, which were often cited as a basic argument in support of industrialization, might lead to difficulties for certain countries at least. New Zealand's imports, for example, had in 1957/58 been higher in proportion to the gross national product than they had in 1937/38 in spite of a great increase in the type and volume of goods manufactured in the country. On the other hand there had been a distinct change in the kind of goods imported; the share accounted for by consumer goods had fallen markedly whereas that of producer goods had increased. The conclusion was that, although the process of industrialization might save overseas exchange in respect of specific products, the rise in national income and the increased demand associated with industrialization could lead to relatively greater import requirements. It was therefore doubtful whether import substitution was a satisfactory principal criterion for under-developed countries to adopt in their choice of investment in industry. It was widely recognized that greater emphasis should be given in international programmes to the acquisition of industrial skills; that was a main objective of the technical assistance programmes of the United Nations and the specialized agencies, and also of the Colombo Plan. The United Nations was eminently fitted to undertake that task, and should give it increased prominence in the future.

6. It was difficult to avoid the conclusion that the balance-of-payments problems of primary exporting countries might imperil all their domestic development plans. The sharp reverse in the terms of trade in 1958 had cost some under-developed countries more in export income than they had received in capital aid over a decade. In 1959 the terms of trade for primary commodities had been 14 per cent below the 1950 level. An expanding world trade, preferably free from excessive fluctuations in the terms of trade, was therefore essential to the solution of domestic problems of economic development. Although some progress had been made in international negotiations, notably in the case of tariff reduction, many formidable problems remained which might jeopardize the economic growth of under-developed and primary producing countries. Despite their utmost efforts, the relative trading position of most of them had deteriorated and their purchasing power in the world market had not kept pace with increases in production or with their demand for essential imports. That trend was likely to continue unless positive action was taken to reverse it. It was unrealistic to suppose that the less developed countries could break out of their economic confines unaided and reach the point of self-sustaining growth unless their terms of trade improved.

7. Although in theory there should be no conflict between national and international economic policies, in practice social and political programmes frequently made

it difficult for governments to modify their economic policies in order to achieve desirable international objects. In the face of that dilemma there had been an interesting trend towards economic regionalism, which, from the international point of view, could work for good or ill. There was a danger that the new regional organizations might become autarchic and disruptive of world trade. It was therefore reassuring that their policy makers had consistently rejected the assumption that the new organizations would restrict international trade and had emphasized their liberal character. The remark made by the Netherlands representative at the 1117th meeting to the effect that the European Economic Community would be more trade-creating than trade-diverting had been particularly welcome. In that favourable context the new regional organizations were to be welcomed by non-member countries. Liberal regionalism could provide the opportunity for bold innovations designed to solve problems which had in the past defied international co-operative effort, for the process of their introduction facilitated a new approach. A region, with its greater strength and resilience, might succeed relatively easily in absorbing stresses of change beyond the endurance of an industrial national economy.

8. The difficulties of governments which had adopted policies to protect their agriculture, even when inefficient, were understandable, but it was to be hoped that the development of economic regionalism would lead to a vigorous re-examination of protectionist policies which might have been considered inviolable in a national context. It was obvious that, as well as improving the stability of trade in primary products, an expansion of the trade in foodstuffs would lead to lower costs of living and higher standards of nutrition.

9. It was to be hoped that progress in moderating trade barriers would result from the deliberations of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT). If the tariff negotiations proposed for 1960-1961 were to succeed in expanding international trade on a multilateral basis, the primary producing countries should be able to participate, in the knowledge that any concessions made to them would be genuine and would not be frustrated by non-tariff protective devices. The United States representative had at the 1117th meeting rightly recalled the key role played by GATT in the expansion of trade already achieved; but it was no less true that, because of non-tariff protective devices, primary exporting countries had been unable to derive full benefit from membership of GATT. Although the New Zealand delegation believed that the problem of primary commodity trade could be solved only by correcting the underlying causes, it recognized that international commodity agreements were of benefit. Not all commodities, however, were suitable for control by such agreements, and the agreements would be effective only if all the leading producing and consuming countries participated. Attempts to reach international compromise on trade problems had sometimes actually aggravated them. Despite the realization of the greater need for international co-operation, and despite an abundance of international organizations in which to consider economic problems, the record of achievement was less impressive than it might be. For

example, the treatment of agricultural commodities in GATT had fallen short of expectations. He hoped that the successful emergence of economic regionalism would help to break the deadlock impeding wide sectors of international trade.

10. Although there was no common conception of the place of the United Nations in directing international social and economic programmes, disappointment over political progress had been partly counterbalanced by the growth and success of the Organization's social and economic activities. The Secretary-General's suggestions for special assistance to newly independent countries (E/3387) was an important recent example of operational expansion in response to needs. In the field of international trade the United Nations as a whole and the Council should deal primarily with broad trends rather than detailed negotiations, since such negotiations were better handled in the more specialized framework of GATT. There was, however, room for detailed study of commodity problems by subsidiary bodies of the United Nations and the relevant specialized agencies. The Food and Agriculture Organization of the United Nations (FAO), for example, was greatly concerned with national agricultural policies and the reorientation of those which were seriously hampering trade in agricultural products. The Commission on International Commodity Trade seemed the most suitable body in which to consider not only commodity problems in general but also trade in certain specific commodities, such as rubber and metals, which moved freely and whose price fluctuations could be influenced by national economic policies.

11. The Council was the appropriate forum for the discussion of overall trends such as the lag in the demand for primary commodities, and for the consideration of diverse national economic problems and policies. It also served as a focus for the work on regional problems undertaken by the various regional commissions. Under its auspices knowledge was being gathered which might increasingly provide a foundation for the formulation of national policies. Realistic work in the field of economic projections was to be encouraged. In that connexion the United Kingdom representative's view expressed at the 1118th meeting that that work, although still experimental, would become of increasing importance and practical value. His Government approved of the Council's increasing emphasis on questions of underdevelopment. The Council was the only suitable body to view the wide range of international work and research being devoted to the promotion of development, and the statement made by the United States representative at the 1117th meeting that the Development Assistance Group was not meant to replace or duplicate any of the existing channels of co-ordination, but to complement and strengthen them, had been welcome. The consolidated report on programme appraisals (E/3347) represented the Council's first major attempt to carry out its primary task of assessing the direction and fulfilment of international aid programmes and of co-ordinating them. It was to be hoped that that effort would be sustained. He supported the Secretary-General's suggestion that the scope and efficiency of the clearing-house functions of the United Nations should be improved (E/3394).

12. The New Zealand Government sympathized with the desires of the less developed countries for increased capital, and over the previous ten years it had provided capital assistance amounting to approximately \$30 million to the countries of South and South-East Asia under the Colombo Plan. It would continue to make such assistance available to the maximum extent possible. In view of the assistance it was already providing and of the fact that its financial resources were relatively small, New Zealand's capacity to contribute to new programmes was limited. On balance, New Zealand was still a capital-importing country.

13. With regard to the administration and co-ordination of multilateral assistance, his Government regretted the extent of the division between the International Bank for Reconstruction and Development (Bank) and its affiliates and the United Nations. Apart from the more specific question whether or not the United Nations should be enabled to provide capital aid, it was unfortunate that technical assistance and pre-investment services on the one hand, and the lending functions on the other, should be apparently so sharply divorced. The question of a closer link between the United Nations and the proposed International Development Association should be more fully explored.

14. Although capital and technical aid were of fundamental importance to the economic growth of underdeveloped countries, those countries badly needed foreign capital, both public and private, in increased quantity. The Managing Director of the Special Fund had estimated¹ that national and international efforts over the past ten years had resulted in a yearly increase of only 1 per cent in the real per capita incomes of the underdeveloped countries, and had declared that considerably greater efforts would be needed in the coming decade if a tolerable rate of advance was to be achieved. The New Zealand delegation agreed. In some sectors, however, especially in agriculture, the underdeveloped countries might be able to accomplish much without undue dependence on capital. Unless they underpinned their development programmes with sound agricultural development, they might see their industrial gains offset by increasing population and by the expenditure of foreign exchange on the importation of foodstuffs which might have been grown economically at home.

15. Technical assistance might be of decisive importance, particularly in countries at a relatively early stage in their economic development. A number of new countries, especially in Africa, were looking to the United Nations to provide at least some of the assistance they needed in such fields as public administration, economic planning and the training of skilled personnel. In fulfilment of the duty of the United Nations to assist those countries the Secretary-General had, at the request of the General Assembly and the Council, submitted specific suggestions for meeting their minimum needs (E/3387); the New Zealand Government fully supported those suggestions. It was to be hoped that the programme for the provision of operational, executive and administrative personnel

¹ See P. G. Hoffman, *One hundred countries, one and one quarter billion people*, Washington, D.C., 1960.

(OPEX), which corresponded to an obvious need in many countries, would be put on a firm basis in the current year. New Zealand recognized that the additional responsibilities assumed would mean that the financial and other resources of the United Nations would have to be increased. If that were done, the United Nations would not only be able to help in the development of the newly independent countries, but would also strengthen peace and contribute to the realization of the objectives set forth in the Charter.

16. International and national programmes recognized that economic development was hampered by ignorance, apathy and, sometimes, traditional modes of thinking. From the economic point of view, low productivity was the most formidable obstacle. One way of intensifying international aid programmes to meet the needs of a growing world population was to ensure that international assistance was wisely and efficiently applied. The Council and its subsidiary bodies should be able to stimulate, particularly through the agency of the resident representatives in recipient countries, greater co-ordination of assistance programmes. There had been greater readiness to use the devices of international capital movements as a means of restoring the balance of economic fortune between the wealthier and the poorer areas of the world than to undertake the basic structural changes in national economies that would be necessary for the optimum expansion of world trade. Although there was no cause for complacency, the United Nations was moving broadly in the right direction. That a generation was perhaps the most self-conscious in history. Its every move was subjected to scrutiny and interpretation. It remained to harness the existing knowledge and resources to the paramount social purpose of the development of human welfare.

17. Mr. ADEEL (Sudan) expressed the conviction that the experiment of holding Council meetings at ministerial level would justify itself. He regretted that the pressure of other urgent business had prevented a minister of the Sudanese Government from participating in the debate.

18. The discussion had revealed that there was a growing recognition of the economic interdependence of all countries and had stressed the international importance of the development of the under-developed countries. The fact that assistance to those countries was a prerequisite of lasting peace was apparent from nearly all the documents before the Council. The basic needs of the under-developed areas were aptly described in the Secretary-General's report on opportunities for international co-operation on behalf of newly independent countries (E/3387 and Add.1) as being: international assistance in the development and effective maintenance of national services and institutions; fact-finding and the determination of needs; and training of personnel at all levels. A number of delegations had drawn attention earlier in the session to the special requirements of the newly independent States, and both the Executive Secretary of the Economic Commission for Africa (ECA) and the Sudanese delegation had, at the 1113th and the 1115th meetings respectively, emphasized how dangerous it would be to underestimate those requirements. He suggested that the time had come to re-classify the coun-

tries of the world according to their economic development. First there would be the developed or industrialized countries, then the less developed and finally the under-developed or emergent countries. Such a classification would help to keep the most urgent needs in the forefront of attention and would assist in the establishment of an order of priorities.

19. All the specialized agencies had reached the conclusion that in spite of considerable progress the present level of international aid to the under-developed regions was far from adequate. The international community would have to extend the scope of assistance and each country would have to increase its contributions. Delegations from the industrial countries had expressed their determination to play their full part in those efforts, and he hoped that the debate in the Council would help to produce the results which all desired.

20. Sudan was not only an under-developed country itself but was situated in what was largely an under-developed region. His delegation therefore felt justified in devoting its attention primarily to the question of the economic development of under-developed countries. The first essential was a continuing expansion of world trade. The *World Economic Survey, 1959*, showed that, although the industrial countries had made a substantial recovery from the setback they had suffered in 1958, the primary producing countries had been denied a fair share in the new wave of economic expansion, with the consequence that their economic growth had been hampered. The representative of the Bank had said that the economic development of the under-developed countries was not just a process, but also an idea, a rallying cry of more and more millions who had been roused to action against their traditional poverty. For many years to come that poverty was likely to remain a challenge to the creative energies of nations and to their capacity for co-operation. Now that the stage had been reached when great successes might be achieved or disastrous failures suffered, the industrialized countries should adopt more imaginative trading policies in order to bring about a steady increase in the foreign exchange earnings of the under-developed countries. All were agreed on what should be done; a disagreement on how it should be done would indeed be regrettable. All efforts, whether bilateral or multilateral, should be made to remove obstacles to the expansion of trade. Trade barriers and discriminatory regulations should be carefully studied and their effects on the under-developed countries realized. He hoped that the trade groupings which were so prominent a phenomenon in western Europe would concern themselves with the needs of the under-developed countries as well as with those of their own areas. The understanding of that situation shown at the 1118th meeting by the United Kingdom representative had been gratifying. No effort should be spared to reduce tariffs. GATT was already achieving much in that direction and he hoped that even more would be done in the future.

21. The second essential was the stabilization of commodity prices. Most primary producing countries were dependent on the export of a limited range of commodities, and any fluctuation in their prices was bound to have considerable effects upon their development.

Although the *World Economic Survey, 1959*, showed that there had been a general upward trend in world commodity prices, the balance was still unfavourable to the under-developed countries. The natural anxiety and uncertainty prevailing in those countries were a major obstacle to harmonious economic growth and to sound planning. He fully realized that the long-term solution lay in diversification. The *Survey* noted that there had been considerable progress in that regard, but the rates of growth in the under-developed countries were still far too low to ensure an appreciable increase in per capita income. It was therefore evident that short-term measures would have to be continued. Much depended on the understanding and realism of the industrialized countries. The following were examples of measures which they could take: the reduction or elimination of price support subsidies, moderation of agricultural protectionism, reduction of taxation on primary commodities and relaxation of industrial protectionism, which in certain cases had entailed discriminatory measures against low-priced manufactured or semi-manufactured goods exported from the under-developed countries.

22. The third essential was a free flow of capital. In spite of a growing awareness of the need for investment capital, the net inflow of private capital into the under-developed regions had remained constant, and in some cases the net investment had declined. The scales were still tipped in favour of the industrialized and rapidly developing countries, and even the small share received by the under-developed countries was unevenly distributed. He agreed that much depended on the efforts of those countries themselves to provide suitable incentives and guarantees. Nevertheless, the situation would remain unsatisfactory unless the capital exporting countries realized that profits and sectional interests were not the overriding considerations. There was need for a spirit of joint enterprise and true partnership in the service of the common good. The Council could and should play a vital role in fostering that spirit. The specialized agencies, the Bank, the International Monetary Fund (IMF) and other international financial institutions were doing much to bridge the gap between the growing need and the available capital, but much greater efforts were needed. He supported the view expressed by the United States representative at the 1117th meeting that the specialized agencies should be strengthened, that steps should be taken to ensure the attainment in 1961 of the target figure of \$100 million for the Special Fund and the Expanded Programme of Technical Assistance and that the OPEX programme should be extended and carried beyond the experimental phase. His delegation supported the proposed United Nations capital development fund in the hope that it would go some way towards satisfying growing needs. All financial assistance rendered should be considered as aid and not charity; it should be given in sufficient quantity and on a long-term basis; it should be repayable on easy terms at low rates of interest. The proposed International Development Association represented an important step forward and might be the first of a series of organizations of that kind. For aid to be readily understandable and promptly utilizable, it was important that procedures should be simple and quick. The regional

economic commissions, in particular ECA, could play an important role as a clearing-house and as a channel through which technical and financial aid could be effectively distributed.

23. The Secretary-General had referred to the wasteful increase in the production of armaments (E/3394). His delegation agreed with that view and was convinced that, if the resources being spent on armaments could be released, they would enrich the world and make it a better place to live in.

24. The fourth essential was the strengthening of the United Nations. In spite of what was being done outside the United Nations, the Organization remained the only universal forum in which countries with different institutions and at different stages of development could exchange views, share their experiences, probe each other's reactions to their policies and initiate collective action.

25. The comprehensive debates on assistance to under-developed countries in the General Assembly and at previous sessions of the Council had left no doubts about basic principles. It was to be hoped that the meetings at the ministerial level would represent a step towards a more effective transformation of words and principles into deeds.

26. Mr. MAYOBRE (Venezuela) said that it was to be hoped that the Council's thirtieth session, on which the presence of ministers conferred special importance, would mark a fresh approach to the problems of the under-developed countries, not least because so many nations were attaining independence and joining international organizations.

27. One of the main contributions of the United Nations to international co-operation and the cause of peace had been the interest it had shown since its inception in the least favoured regions of the world. That interest had been reflected in action in three directions: determination of theoretical bases, planning of economic policy and technical assistance. Thanks to the Economic Commission for Latin America (ECLA) a series of economic doctrines, to which almost all statesmen in Latin America subscribed, had become accepted in Latin America. The study of practical methods of action had increased the intellectual capital on which the peoples of that area could draw in solving the problem of under-development. In addition technical assistance missions had elaborated practical programmes in many countries and had co-operated with the authorities in implementing the recommendations of experts. The Economic Commissions for Latin America and Asia and the Far East were an example of effective United Nations collaboration in solving the world's great problems; the experience gained should be put at the disposal of the more recently created Economic Commission for Africa.

28. Nevertheless, further measures were required in order to increase the effectiveness of international co-operation and to interest the industrialized countries in the plight of the under-developed ones; the latter were following with keen interest the Council's current session at which statesmen responsible for economic policy in various countries were exchanging views. The Venezuelan delegation would, in due course, submit a proposal to the effect

that Council sessions at the ministerial level should become an annual event; at those sessions studies prepared by the regional economic commissions would provide a basis for discussion. The Council should, in addition, endeavour to set up machinery for integrating plans for economic development in a world-wide system in which the industrial countries would participate to the full extent. The suggestions to that effect put forward by the Secretary-General in his statement (E/3394) were particularly welcome.

29. One of the main subjects dealt with in the *World Economic Survey, 1959* and referred to by the Secretary-General in his statement was that of balanced growth. The need to speed up economic growth, particularly in areas where population pressure threatened to reduce per capita income, had forced many countries to adopt methods of financing which had led to an imbalance both in internal prices and in external payments; in the long run that situation had in most cases resulted in economic stagnation or recession. Most of the developing countries were anxious to achieve a balanced growth. One way to attain that end was to create better export markets for primary commodities; the United Nations should do its utmost to find a satisfactory solution to the problem.

30. The Secretary-General in his statement had rightly stressed the evils flowing from the restrictionist import policies applied by the industrialized countries either as protective or fiscal measures. The under-developed countries were obliged to diversify their economies in order to provide work for large sectors of their population. Industrial protectionism in the developing countries should not be regarded in the same light as the restrictionist import policies of the industrial countries. Whereas restrictions imposed by primary importing countries provoked an immediate drop in the income of the primary producers and slowed down international trade, protective measures adopted by the under-developed countries merely signified an altered composition of their imports and, by increasing income, encouraged purchases from abroad, thereby stimulating international trade. A definite conclusion on that matter would constitute a marked step towards ensuring balanced growth.

31. As for the trend to set up common markets in various regions of the world, ECLA had played an active part in the establishment of the treaty recently signed at Montevideo (E/3333, annex II). Inasmuch as the home market of any particular country was often too small to make the introduction of industries an economic proposition, the formation of larger markets, such as the market under that treaty, was an incentive to the industrialization of the smaller countries. Yet, as the Secretary-General and certain delegations had stressed, there was a risk that the world economy might be divided up into regional compartments. It would then be the United Nations' task to reconcile the existence of common markets with the advantages of a rational division of labour on the international scale. Theoretically, the problem was not insoluble. Common markets not designed for regional autarky but for a better utilization of the resources of small countries were perfectly compatible with a growing

volume of international trade, for as countries earned more, so would they be able to participate more fully in world commerce.

32. Because of its special economic situation Venezuela was not a party to the Montevideo Treaty; nevertheless, it was following with interest the discussions initiated by other Latin American countries since it was convinced of the need to expand the markets of the countries in that region.

33. Referring to the fundamental principles underlying his Government's economic development policy, he said that, primarily an oil producing country, Venezuela was suffering at present from a glut in world supplies and a corresponding fall in petroleum prices. The Government's policy was based on three fundamental considerations: firstly, it was anxious to conserve the country's petroleum resources which would provide a useful source of energy in further economic development; secondly, by limiting exports the Government was contributing to the maintenance of petroleum prices throughout the world; and thirdly, the State was participating in the exploitation of petroleum through the newly-formed Venezuelan Petroleum Corporation, the establishment of which would not, however, affect the position of foreign oil companies operating in Venezuela.

34. In addition, the Government was endeavouring to use the country's natural resources such as hydro-electric power and mineral deposits to the best advantage. The Guiana region would in time become one of the great industrial centres in Latin America; because of its abundant and cheap sources of energy it offered ample scope for foreign investment.

35. Certain structural problems were hampering economic progress which the Government was endeavouring to solve: for example, it had begun an agrarian reform combining the maintenance of up-to-date privately owned estates with the distribution of land and the provision of technical assistance and credit to the peasant population. In another field, Venezuela had received United Nations assistance in modernizing its public administration and equipping it to meet current demands.

36. Finally, Venezuela was endeavouring to carry through its policy of economic development against a background of internal and external balance. Although domestic prices had remained stable, there had been some balance-of-payments difficulties inherited from the maladministration of earlier governments. However, thanks to its ample reserves, which amounted to \$500 million for a population of six million, his country had been able to overcome those difficulties by orthodox means; it had maintained the stability and convertibility of its currency, was curbing inflationist tendencies and was achieving a financial balance which would enable it to pursue its development without recourse to internal or external controls and without impairing the purchasing power of the currency. In that connexion, planning in the public sector was one of the principal instruments of policy used by the Government; it likewise determined in broad outline the economic policy in the private sector. In 1960 it had initiated a four-year plan designed to raise the gross national product from 24,500 million bolivars in 1958 to 35,000 million bolivars by 1964. The essence of

that plan lay in a programme of public investment in the social services, electric power installations, transport, and so on, and the grant of credits to private industry and agriculture. It was in no way based on state intervention. Private initiative remained the basis of economic activity; the State would stimulate it by supplying the services and credits required.

37. It was to be hoped that the industrialized countries, on which the economic progress and well-being of mankind largely depended, would show sympathetic understanding for the problems of the under-developed countries and would co-operate in implementing any measures which might result from the Council's deliberations.

38. Mr. JACOBSSON (Managing Director, International Monetary Fund) said it was gratifying that, at a time of numerous political and other difficulties, so much progress had been made in the field of international trade and payments. The Secretary-General's statement (E/3394) referred to the part played by GATT and IMF; it should be stressed, however, that the chief merit belonged to the individual governments, which had devoted themselves with great determination to the task of achieving monetary rehabilitation and freeing trade, often in the face of considerable difficulties. The great majority of countries, although their currencies might still be subject to strain, were no longer giving way under inflationary pressures. As a result of the establishment, at the end of 1958, of external convertibility by fourteen European countries and of similar arrangements made subsequently by several other countries, almost all international trade was now carried on in convertible currencies. Consequently so far as payments were concerned, there were no longer any reasons for discrimination against imports from any particular country; indeed, latterly the removal of discrimination had been widespread. Moreover, many countries had abolished quantitative restrictions on imports. With the formation of new trading groups in various parts of the world, the restoration of currency convertibility and the resulting simplification in the pattern of world payments were particularly advantageous. The great progress which had been made in the field of international trade and payments could not have been achieved if the countries had not themselves taken the necessary measures to establish a sufficient degree of internal balance in their economies.

39. The IMF had been able to assist many member countries in the re-establishment of monetary order. In a number of cases the assistance had involved the elaboration of a stabilization programme. Such programmes could not be effective without the full support and faith in them of the authorities in the country concerned; it was gratifying that their determination had persisted even in the face of difficulties. Stabilization programmes had sometimes been criticized as being responsible for slowing down economic expansion. The explanation was that a country suffering from inflation almost inevitably lost gold and foreign exchange reserves; one of the purposes of a stabilization programme was to arrest the drain on reserves and begin their replenishment. That could be done only if the country's savings were in part devoted to replenishing the reserves and were thus, in fact, invested in foreign exchange. Clearly, those savings

could not then be invested in development projects. Theoretically other methods of financing development could be envisaged, but they could not be easily arranged in practice. Consequently, a successful effort at stabilization usually meant that, for a time, fewer resources were available for development purposes. In addition, when an economy had been experiencing a continuous rise in prices over a period of years, the conditions for normal non-inflationary business activity could not be established without transitional difficulties and delays.

40. The period of slower economic expansion should, however, be a passing phase. The return to stability was intended to provide, and generally succeeded in providing, a reliable basis for sustained economic growth. For many reasons the resumption of activity was easier in the industrialized countries with fully developed economic and financial structures and national incomes high enough to support both the generation of ample savings and high levels of consumption.

41. In that connexion, the remarkable increase in industrial production in western Europe and Japan, which had been some 12 per cent higher in the first quarter of 1960 than in the corresponding quarter of 1959, should be noted. That expansion had been accompanied by an impressive increase in international trade which had benefited all parts of the world. Some of the industrialized countries were now faced with the problem of preventing an excessive strain on their resources and once again the authorities were relying primarily on monetary measures such as the introduction of sharp increases in official discount rates. The high interest rate structure of western Europe might be viewed with apprehension by some countries, but they should remember that they themselves had an interest in having the activity in highly industrialized countries maintained on a sound basis.

42. In the United States, the situation was somewhat different from that in the other industrialized countries. Although a certain hesitation was apparent, probably not unconnected with a change from an inflationary situation to the expectation of more stable prices, business activity in the United States had continued at a high level and exports had increased markedly since the autumn of 1959.

43. It was interesting to note that, although comprising only 25 per cent of the total population, the highly industrialized countries accounted for about 75 per cent of the aggregate national income of the countries members of the IMF. The disparity between the incomes of the industrialized countries and those of the primary producing countries could be effectively reduced only by a further expansion of the economies of both groups, leading to increased trade and closer relations generally. Although the recent increase of business activity in the industrialized countries had not appreciably improved the terms of trade of the primary producing countries, their foreign exchange earnings had benefited from the substantial rise in the volume of goods imported by the industrialized countries. From a monetary point of view, the recent expansion of international trade was opportune and would be of help to many of the less developed countries in implementing their stabilization programmes.

44. All countries endeavouring to stabilize their economy were obliged to keep credit expansion within proper limits. He believed that the post-war inflation had come to an end and that the price stability which had prevailed for the past two years in world markets would not be upset by any new general inflationary upsurge.

45. Economic growth could take place under widely differing conditions and there were examples when it had occurred at times of falling prices, of stable prices and of rising prices. In under-developed countries there was a strong temptation to rely on the creation of credit to finance development; an excessive use of that method would inevitably give rise to serious problems. Experience had shown that in the absence of monetary stability economic incentives tended to direct investment largely into speculative ventures with prospects of quick profits, rather than into projects with benefits accruing to the whole community over a period of many years. In addition to upsetting domestic prices, the loss of reserves and the depreciating exchange rate had in many cases led to the distortion of the foreign exchange structure by the introduction of multiple exchange rates, thereby affecting both production and investment. In those cases, a unitary rate at a realistic level had had to be reverted to as part of an effective stabilization programme.

46. With regard to assistance, a balance of responsibilities was needed between the countries which provided it and those which received it. The most obvious way to provide assistance was to supply additional capital resources to the under-developed countries. Investment of private capital was also most important, for it was often combined with the provision of technical knowledge of a continuing character. A country which provided financial assistance must naturally raise the amounts involved in its own currency and have the appropriate institutions to make the funds available; in addition, the richer countries must make sure that they provided adequate earning opportunities for the poorer countries by pursuing liberalized trade policies and by making every effort to maintain a high level of business activity in their own economies. In that connexion, it was to be hoped that the tariff reductions made or contemplated by trade groups in various parts of the world would be extended as far as possible so as to improve the prospects for the sustained growth of world trade. Finally, it was the responsibility of the more advanced countries to provide facilities for technical and administrative training.

47. The primary task of the under-developed countries was to ensure that the resources at their disposal were put to the best possible use. He had already referred to the importance of monetary stability in that connexion; it was equally important in stimulating confidence. A closely related factor was the ability to attract capital from abroad by affording fair treatment to foreign investors.

48. In many of the less developed countries, stabilization programmes had been introduced comparatively recently and their beneficial effects had not yet been felt to the full. Some countries, however, such as Chile, Finland and Mexico, had achieved an impressive increase in production and others, such as Argentina, Colombia and Spain, had increased their foreign reserves appreciably, thereby

laying a new foundation for development in the years ahead.

49. In all those matters, international organizations could play a useful part. IMF had the task of assisting members in temporary balance-of-payments difficulties, with a view, first and foremost, to restoring confidence and giving them time to effect corrective measures. In that way it helped to ensure that development plans were worked out within the framework of financial stability and that temporary difficulties encountered in the course of development would be surmounted without harm to the economic structure of the country itself or to its trading partners. That was of importance for primary producers whose earnings from exports were subject to fluctuations in world markets. Co-operation between international agencies, individual governments and sources of private capital had taken place and should be encouraged whenever possible. Political considerations might in certain cases affect the extension of foreign assistance or the formation of trade policy; sometimes those considerations facilitated solutions while at other times they were a cause of obstruction and delay. Therefore, the more often problems were tackled at the technical level the more readily would agreed solutions be reached.

50. Mr. MORSE (Director-General, International Labour Office) drew attention to four important problems connected with economic development which were of particular concern to the International Labour Organisation (ILO).

51. The first essential was to create new jobs. In many under-developed countries economic development was certainly accompanied by increased employment; but unemployment increased at least as rapidly, and that increase would continue for many years because of the rise in population. Unemployment and under-employment hit particularly hard at the young people of those countries. The ILO was still paying great attention to the employment problem, particularly in rural communities, and had undertaken to study in detail various aspects of employment problems and policies.

52. The second important problem was — how quickly could standards of living be raised? The object of the ILO's policy was to secure a rise in low incomes, better working conditions and better social security; but legislation alone would not suffice to achieve those purposes: the level of production had to be raised first. The level of consumption was in fact limited by the level of production and by the necessity of reserving part of that production for investment. If income and expenditure rose faster than those limits permitted, inflation would follow and it would be impossible to invest enough to maintain a satisfactory rate of economic development. Developing countries therefore faced the difficult task of balancing investment needs against consumption needs throughout the community. In some cases that could mean not only restricting incomes from rent, interest, profits, and so forth, but also wage freezing. It was there that well-organized trade unions could do much by enlightening the public about the problems of economic growth. Moreover, by working for a fair distribution of incomes the trade unions and governments of developing

countries would win public sympathy in countries providing economic aid, where people would want to be satisfied that the assistance given was being used for social advance.

53. Thirdly, there was the problem of human and institutional changes which necessarily accompanied and determined the rate of economic growth. Education and training programmes had to be geared to the needs of economic expansion. New forms of social security had to be devised to protect persons who had formerly looked to the extended family, the village or the tribe for support in time of personal crisis, but who were now dependent on a system of production based on the individual wage. Education would have to aim at technical training, the social education of workers and trade unionists and at a better understanding of economic and social growth. International co-operation had a great part to play, but must be approached cautiously; it called for thorough knowledge of the conditions of life, customs and hopes of people in the different developing countries; research was therefore an essential part of international technical co-operation, and greater attention should be paid to it so that costly mistakes might be avoided.

54. Lastly, with regard to international trade, the ILO's constituents had repeatedly drawn attention to the adverse consequences of a serious drop in the export earnings of developing countries. Likewise, sharp increases in the export of manufactured goods could have serious consequences for producers — both employers and workers — in other countries who were already making the same goods.

55. The developing and industrialized countries had a common interest in fostering the expansion of international trade. A mechanism for orderly adjustment to changing trade patterns was needed. First, steps should be taken to restrict the fluctuations of international trade within limits that could be tolerated by the countries concerned. Secondly, practical measures should be taken, both nationally and internationally, to facilitate prompt adjustment to those changes. So far as the workers were concerned, the capacity for adjustment depended on the maintenance of a high level of employment throughout the economy, the organization of efficient employment services, the improved training and the mobility of workers, and adequate compensation for involuntary mobility. The ILO was now studying those problems. At present the lack of a proper mechanism might well cause difficulties. That was why the ILO and GATT had decided to make a joint study of measures to be taken.

56. In conclusion, he supported the Secretary-General's remarks advocating the use of the United Nations and the specialized agencies to the full in any arrangement for increased economic aid (E/3394). The governments of industrialized countries had the will to help the developing countries in the fight against poverty. It was for governments and international organizations to convince the public that victory in that fight was possible and that it was worth making great efforts and great sacrifices to that end.

57. Mr. PAZHWAQ (Afghanistan) said the meeting of the Council at the ministerial level was a welcome sign

of the interest taken by the more advanced countries in the development of the under-developed countries. In the past fifteen years success had been achieved in overcoming the problems of post-war reconstruction and economic recovery in the industrialized areas through international co-operation. At the same time, the rising aspirations of the less developed countries had given a new direction to world economic affairs. Everyone was well aware of the contrasts between the various regions of the world, and the United Nations had pledged itself to promote economic and social development. Some progress had been made but much remained to be done. The chief accomplishments in recent decades had been in the field of employment, price stability and the balance of payments, even though such progress had been largely confined to the more highly developed countries. The idea of public responsibility for economic affairs had received more general acceptance. Starting with local measures for relief, the process of joint economic action had continued and developed into regional activity which cut across national barriers. The regional economic groups should be welcomed as stepping stones towards the formation of stronger organizations with universal goals; but if on the other hand they were to erect new and stronger barriers dividing the world into groups with sharply conflicting economic interests, they would only retard progress.

58. It was generally recognized that uneven rates of development would eventually lead to world instability. Yet stability alone was not a proper objective; it had to be accompanied by balanced growth.

59. In the course of the discussion, reference had been made to the advantages and disadvantages of different economic systems. As the representative of an under-developed country he urged that greater attention should be paid to international co-operation than to the dividing elements which had always hampered such co-operation. Recognizing the interdependence of all countries, he believed firmly in the principle of coexistence and in the self-determination of peoples and nations in the economic as in other respects. Only peaceful coexistence could create the conditions under which the under-developed countries would be able to devote their efforts to development and profit safely from the help of the more advanced countries.

60. The great problem was how to create growth without creating imbalance; the solution would differ from country to country. The under-developed countries with low incomes had not yet reached the stage in which the development process became self-generating, and hence the pace of their development was naturally very slow. The benefits of what little progress was achieved were largely offset by increases in population. Moreover, many under-developed countries starting from low levels of economic activity needed a higher rate of growth not only to satisfy the demands of the increasing population but also to close the gap in standards of living.

61. In addition to purely economic considerations there were also political factors responsible for the slow progress of the under-developed countries. He felt bound to emphasize that point as the representative of an under-

developed country with a policy of non-alignment and a firm desire to preserve friendly relations with all countries. The under-developed countries suffered from the lack of a realistic, practical and thorough analysis of their economic and social conditions and at the same time their attention had to be diverted to extraneous political considerations. It was most unfortunate that such considerations should also affect international organizations which could otherwise be the best source of assistance to the under-developed countries. He deeply regretted the favouritism which was apparent in some assistance programmes, which meant that some of the smaller under-developed countries were overshadowed by the larger ones.

62. Bilateral and multilateral assistance had played a great part in speeding up economic development and it was gratifying to see that the international agencies were gradually rendering more and more assistance. It should be emphasized, however, that there was still need for a capital fund administered by the United Nations which could concentrate on the early needs of newly independent nations and of under-developed countries whose economies were in the pre-investment stage. The external assistance so far received was only a fraction of what was required. Its inadequacy was demonstrated by the fact that it seemed to have absorbed only 3 to 4 per cent of the increase in the funds potentially available for investment by the industrialized countries.

63. The analysis given in the report on international economic assistance to the less developed countries (E/3395) revealed the disparity in the aid received by the less developed countries. The greatest increase in aid had gone to the more advanced of the under-developed countries, and that was a disturbing trend. It was not enough for less developed countries to provide opportunities for private capital investment; the more advanced countries should also play their part. Some under-developed countries found that, despite their efforts to offer greater facilities as incentives to foreign investors, it was difficult to attract investments.

64. There was a deep sense of urgency among the under-developed countries and he hoped that the discussion in

the Council would lead to positive action to solve the problem. The Council should become more dynamic as an instrument for promoting world prosperity and as a first step there should be an expansion of the activities of the technical assistance programmes and the Special Fund. The goal of \$100 million was not beyond the capacity of the world community, and he hoped that larger contributions to the technical assistance programmes would be received at the forthcoming Pledging Conference.

65. The liberalization of trade would also be helpful. Attention should be paid to the need for commodity price stabilization, and it was particularly desirable that buffer stocks and compensatory financing should be established, as had so often been suggested in the past. The time had come for concrete action along those lines.

66. The volume of financial assistance required to satisfy the needs of the under-developed countries was undoubtedly great, but it was not greater than the funds being spent on armaments. Consequently, every failure in negotiations on disarmament was felt deeply by the under-developed countries. The possibility of establishing a United Nations capital development fund should be borne in mind, and the Council should concentrate on the practical utility of any new organization set up for assistance to under-developed countries. In the past such organizations had suffered from the lack of a sense of urgency. Moreover, certain existing sources of assistance were often quite useless to under-developed countries because the conditions governing assistance from them were such as to rule out all applications from the most needy countries. The under-developed countries should be represented adequately in the administration of any new assistance organization.

67. It was encouraging that the highly developed countries were aware of conditions in the under-developed areas of the world and that they had expressed their sympathy. With their understanding, many of the problems could be solved. He hoped that combined efforts through the machinery of the United Nations would bring about greater progress in the future.

The meeting rose at 5.40 p.m.