



ECONOMIC AND SOCIAL COUNCIL

FIFTY-THIRD SESSION

OFFICIAL RECORDS

Tuesday, 4 July 1972
at 10.20 a.m.

PALAIS DES NATIONS, GENEVA

President: Mr. SZARKA (Hungary)

AGENDA ITEM 2

General discussion of international economic and social policy (*continued*) (E/5124, E/5132, E/5144, E/5145, E/5160, E/5161)

1. Mr. PEREZ GUERRERO (Secretary-General, United Nations Conference on Trade and Development) said that, as after the previous sessions of the Conference, it would be necessary to wait a while before being able to judge and appreciate the real significance of what had been done or not done at the third session of UNCTAD held at Santiago. Nevertheless, a rapid preliminary estimate could be of interest to the Council in the context of the efforts which United Nations bodies were called upon to exert during the Second Development Decade.

2. In his view, the answer to the question whether or not UNCTAD's third session had been held at a propitious moment was in the affirmative: postponement of the session would have debarred the third world still further from the process of adjustment and decision-making that now characterized international economic relations. It had also been necessary to take speedy action on behalf of the least developed and the land-locked developing countries.

3. Apart from that, the third session had been held at a time when the world economic situation was in a state of extreme flux: the expansion of EEC, the relations between that group and the United States of America and Japan, the adoption by the socialist countries of Eastern Europe of a programme of economic integration to be implemented under the auspices of CMEA, the steps taken to developed commercial, industrial and technical co-operation between the East and the West, the growing participation of the People's Republic of China in international economic relations and, above all, the grave monetary crisis through which the world was passing and which was not yet resolved, could not fail to have an increasing effect on world trade and had thus inevitably influenced the Santiago Conference. IMF was being forced to move towards a reform of the present monetary system and GATT was to embark upon a new series of multilateral trade negotiations. It was undoubtedly that which had dissuaded a large number of industrial countries from responding favourably, at the Santiago meeting, to various requests from the developing countries.

4. Nevertheless, precisely because of the time at which it had taken place, the Conference had made it possible not only to place the problem of development in its proper

perspective, to bring out the relationship between development and monetary and trade matters, but also to point up the necessity of associating the third world more effectively with the forthcoming international monetary and trade negotiations. Hence the special importance of what had been agreed upon at Santiago in that respect.

5. In any event, the third session had provided an opportunity for a truly dynamic start towards the attainment of the goals and objectives of the International Development Strategy. The main responsibility for the fact that full advantage had not been taken of that opportunity lay necessarily with the countries which played a leading role in world trade and production. It was legitimate to wonder whether those countries could not have agreed to new measures which, while of great benefit to the third world, would have had only marginal implications for them.

6. That comment was particularly true in the case of the traditional exports of the vast majority of developing countries, which were meeting with growing difficulties in respect of market access and pricing policy, matters on which little or no progress had been made at Santiago. It was the more regrettable in that the deterioration in the terms of trade of most of those countries had been accentuated by the international monetary crisis and by inflation imported from the industrial centres.

7. It had, however, been decided to hold a special session of the UNCTAD Committee on Commodities, probably in the first part of 1973, in order to work out, by means of intensive consultations, solutions to the problems in connexion with the products or groups of products of special interest to the developing countries. In addition, in accordance with the decisions taken at Santiago, the UNCTAD secretariat had started consultations on the best means of assisting the developing countries to prepare themselves for the multilateral trade negotiations to be held under the auspices of GATT. Moreover, the United Nations Cocoa Conference would be meeting in a few months' time under the auspices of UNCTAD and that would constitute a real test of international co-operation.

8. No appreciable progress had been made at Santiago in financial matters either, save in the case of the link which the developing countries hoped to see established, as part of the international monetary system, between special drawing rights and additional resources for financing development. Acting immediately upon the resolution adopted by UNCTAD on that subject, he had already started consultations with the Managing Director of IMF, on the one hand, and the Director-General of GATT on the other, with a view to co-ordinating and intensifying the joint efforts of those three organizations to solve trade and monetary problems.

9. In the matter of financial assistance, the absence of any agreement at Santiago on the growing indebtedness of the developing countries seemed the more deplorable in that the net transfer of resources to the developing countries in the form of official and public aid had decreased considerably in real value.

10. Generally speaking, if the relative position of the developing countries in world trade continued to deteriorate, their share of that trade might well fall from the present figure of 17 per cent to barely 10 per cent by the end of the decade, despite the fact that the third world accounted for two thirds of mankind. In the circumstances, the UNCTAD secretariat attached great importance to the implementation of measures such as the generalized system of preferences established by the industrialized countries in favour of exports from the developing countries. At Santiago, the few countries which has not yet put their offers or their scheme of preferences into effect had been urged to do so as quickly as possible. Care would still have to be taken to ensure that the potential advantages of the system were not cancelled out by the results of the forthcoming multilateral trade negotiations.

11. With regard to the barriers to trade in manufactured goods from the developing countries, the results of the Santiago Conference were limited or incomplete but there had nevertheless been agreement on the steps to be taken on restrictive business practices. The Conference had also gone a little further than had been envisaged in the Development Strategy in respect of adjustment assistance measures in the developed countries, which should facilitate the achievement of a more rational and equitable international division of labour.

12. The third session of the Conference had achieved positive results in such relatively new fields of activity for UNCTAD as the transfer of technology, the impact of environment policies on trade and development, and the preparation of a charter of the economic rights and duties of States. Agreement had also been reached on special measures in the developed countries, which should facilitate locked developing countries, on the expansion of trade among developing countries and among countries having different economic and social systems, on insurance and on shipping, including in particular the preparation of a code of conduct for liner conferences. Lastly, certain institution arrangements designed to make UNCTAD's permanent machinery and negotiating processes more effective had been agreed upon.

13. Despite those positive aspects of the third session of the Conference, it must be admitted that in certain fields of vital importance it had undoubtedly failed. Now more than ever, UNCTAD's permanent machinery had a specific mandate not only to give effect to the agreements that had been reached but also to make a resolute attack on those problems on which there had not been agreement. The key factor in determining the success or failure of those efforts would be the political will of member Governments. Support from the various non-governmental sectors and from public opinion in general would also be vital for the success of that undertaking. In passing, it was encouraging

to note the growing and active interest of youth organizations in the developed countries themselves in the activities and objectives of UNCTAD.

14. In conclusion, he declared that the Strategy must be dynamically implemented if the trends which had helped to widen the gap between the rich and the poor countries, and hence to endanger international peace and security, were to be successfully reversed.

15. Sir Colin CROWE (United Kingdom) said that the twelve months which had elapsed since the last summer session of the Council had been full of incident. Quite apart from political events, certain conferences, such as the United Nations Conference on the Human Environment and the third session of UNCTAD, as also the recent difficulties in the continuing international monetary crisis, would inevitably have implications for the Council, which, under Articles 62 to 66 of the Charter, had a cardinal role to play with respect to general policy and co-ordination in the whole field of the economic and social activities of the United Nations system.

16. There were, however, some inescapable constraints on the Council in tackling its designated task. There were other bodies which were also entitled to make policies and the Council was not empowered to enforce co-ordination among them. The specialized agencies, for instance, were largely independent of both the General Assembly and the Council in their legislative control, their executive direction and their budgets, and that independence was also shared by UNDP, UNCTAD and UNIDO. Furthermore, organizations such as GATT and UNCTAD had taken important initiatives in the field of tariffs and trade outside the direct control of the Council. In addition, the Council, whose functions were essentially political, could have difficulty in dealing with specialized questions which were primarily within the province of the various development institutions which, generally speaking, were guided by specialists.

17. Nevertheless, the Council had a duty to act whenever the diversity of the system was jeopardizing the execution of the policy defined by the deliberative organs of the United Nations. At the preceding meeting, the Secretary-General of the United Nations had rightly reminded the Council of its duty to ensure coherence within the system. The extent to which the Council could perform that duty depended largely on how well it was informed, on the quality of the reports submitted to it and on having sufficient time to study them. There was, however, a fundamental difference between the Council's authority in relation to the actions of the Secretary-General, on the one hand, and in relation to the actions of the specialized agencies and sovereign governments, on the other. In relation to the Secretary-General and the Council's own subsidiary bodies, the Council had power of decision and could authorize expenditure from the regular budget. It had to exercise that function with co-ordination very much in mind. In relation to sovereign governments and the specialized agencies, however, the Council exercised, by means of its recommendations, what amounted to a moral authority.

18. The weight of that moral authority depended on a consensus of attitude and a consistency of approach to the

various problems before the Council, with due regard for the objectives laid down by the Council itself and by the General Assembly. Recently, however, unanimity had not always been achieved and Council resolutions had often been impracticable and, consequently, sterile.

19. The Council could not make progress unless three principles were observed: firstly, it should operate in accordance with the agreed programmes, namely, the International Development Strategy for the second United Nations Development Decade and the consensus on the capacity of the United Nations development system,¹ which, together with the Charter, constituted the guidelines of the United Nations in the development field for the Decade.

20. Secondly, the Council should agree on the methods of achieving those objectives. His delegation noted that there had, unfortunately, been frequent attempts to reopen one or another part of the Strategy or, more often, of the consensus. The consensus was of course the result of a compromise and his own Government would have preferred it to follow more closely the logic and recommendations of the *Study of the Capacity of the United Nations Development System*.² His delegation was, nevertheless, prepared to comply with it provided that the whole compromise remained valid. It followed that his Government felt bound to oppose any attempt, however well-founded, to disturb the balance of the objectives which had been defined.

21. Lastly, the Council should be ready to make any improvements in its arrangements and working methods which would serve to advance those agreed objectives.

22. His delegation realized that some current problems aroused feelings which were sometimes strongly expressed. Those problems, however, were of great complexity and their solution required patience. With regard to aid targets, for instance, his Government had no reservations whatsoever concerning the need to provide adequate aid. In fact, it intended to increase its official aid programme more rapidly than almost any other form of public expenditure. Furthermore, if it seemed that the 1 per cent target was not going to be reached by the mid-1970s, the programme would be further increased. In addition, the contribution of private flows to the developing countries should not be underestimated. In the case of market-economy countries governed by democratic political systems, it was inevitable that most of the capital exported was private. If the recipient countries wished to continue to have the benefit of that important form of development aid, they would have to ensure that it received equitable treatment.

23. Another major problem for which his Government was seeking a solution was that of the debt of developing countries. It was providing almost half its official aid in grant form and in that context it had increased its contributions to the two main multilateral assistance agencies, IDA and UNDP. Moreover, over two thirds of its loan disbursements were on an interest-free basis.

24. Without attempting to minimize the problems which the monetary crisis of the previous summer had created for the developing countries, his Government felt that some of the criticism directed at the developed countries had been excessive. The fact was that under the Bretton Woods system there had been an unparalleled expansion of multilateral trade and, consequently, unparalleled prosperity. It had not, of course, been able to deal with all the problems and, since the last crisis, it could never be the same again. His Government, which had always held the view that the developing countries should play a full part in negotiations on international monetary reform, welcomed the initiative taken by IMF for the creation of a Committee of Twenty to discuss and make proposals for international monetary reform. His Government expected the Committee to examine all aspects of reform, including proposals for the wider employment of special drawing rights.

25. The need for an overhaul of the international monetary system had been exemplified by the fact that pressure had recently built up against the pound sterling, despite a basically sound payments and reserves position. His Government had not wished to respond to that pressure in the traditional way, namely, by international borrowing and by adopting a restrictive domestic policy which would have curbed the growth of the economy and limited his country's aid potential. His Government wished to continue an expansionist budgetary policy, both for domestic reasons and to facilitate growth in world trade. The decision to float the pound and to tighten controls over transactions with the remainder of the sterling area had been generally regarded as the right and responsible course. Arbitrary short-term capital movements would be restrained but direct investment in the sterling area would continue to take place at the official exchange rate. That point was of particular importance to the developing countries which were members of the sterling area. His Government intended to return to the maintenance of agreed margins around parity once conditions permitted but it thought that, in the long term, an international monetary reform was needed to ensure stability.

26. In the general field of development, the accession of the United Kingdom and of other countries to EEC should certainly, in his Government's view, have favourable effects for the less fortunate countries.

27. Reverting to the question of the Council's efficiency, he said that his Government had been encouraged by the discussions in the informal working group which had met under the Council's auspices in June. It seemed clear that there was a will to ensure that the Council should take the necessary steps to achieve the objectives of the Second Development Decade. If it succeeded in doing so, it was to be hoped that duplication, inter-agency rivalry and other negative features which had marred the collective performance, would eventually be eliminated. In that context, his delegation would like to see the specialized agencies, through the ACC and otherwise, co-operating closely within the system of the Economic and Social Council rather than reporting to the Council. It agreed with the ACC that policy and co-ordination could not be separated. Such problems, though difficult to solve, were not insuperable.

¹ General Assembly resolution 2688 (XXV), annex.

² United Nations publication, Sales No. E.70.I.10.

28. Mr. JENKS (Director-General, International Labour Office) said that, despite two years of a 25 per cent shortfall of income, the ILO had compromised no principle, impaired nothing of its long-term effectiveness and incurred no debts. Its policy had always been to carry out its functions efficiently and to adapt its activities to changing world needs through maximum responsiveness to the objectives and priorities agreed through its unique tripartite structure. The ILO accepted in full the plea to bear its share of the responsibility for the world of tomorrow. It also accepted the central role of the Economic and Social Council, as defined in the United Nations Charter, and it was prepared to co-operate with the Council in the formulation of programmes.

29. The United Nations Conference on the Human Environment, which had just been held at Stockholm, had achieved a fundamental breakthrough in two major matters of policy: it had made people and Governments aware of the need for world-wide solidarity in tackling the problem of the environment, and it had placed environment squarely in the context of development.

30. The fifty-seventh session of the International Labour Conference had been held at the same time and much of its attention had been focused on man in his environment in the occupational context of technological change; its work had been essentially complementary to the discussions at the Stockholm Conference and had served to define the potential ILO contribution in the field of the environment. The ILO Conference had reached three conclusions. Firstly, the ILO should give high priority to the problem of the working environment and occupational hazards. Secondly, the global ecosystem was a matter for other organizations and constituted only the context of the ILO's work. Thirdly, environmental policies could affect economic and social policy so profoundly that employers and workers should take part in their formulation and execution; the ILO would therefore be called upon to take a continuing interest in those policies, in co-operation with the Governing Council for Environmental Programmes. In so doing, it would be guided by the manner in which the Stockholm Conference had placed environment in the context of development.

31. The ILO's work for development was concentrated on priorities clearly set forth in the International Development Strategy. For example, the Strategy called for substantial increases in the level of employment.

32. Three years previously, the ILO had launched the World Employment Programme, which had achieved three results. The first was that it had succeeded in mobilizing the enthusiasm of policy-makers throughout the world. Forty-five countries had ratified the Employment Policy Convention, which committed them to the pursuit of full employment as a major goal of national policy, and other countries were taking steps towards ratification. A growing number of institutions, including UNDP, IBRD and the United Nations Fund for Population Activities, were providing resources to the countries which had requested international assistance in order to achieve that goal. Unless the first concrete results rapidly became evident, such

enthusiasm would turn to disenchantment, with a devastating impact on the prospects for political stability.

33. The second result of the Programme was the development of a method of co-operation with Governments in translating the objective of fuller employment into specific programmes which could be given a central place in their national development plans.

34. The employment strategy missions organized by the ILO for that purpose had already proved their usefulness. The missions sent to Colombia, Ceylon, Iran and Kenya, which had virtually completed their work, had thrown new light on the nature and dimensions of the particular problems of those countries and had mapped out the broad lines of a strategy tailored to the needs of each one. Two other missions, to Liberia and Madagascar, had completed their work. Missions to Sudan and Ethiopia were about to begin their work and others were in the planning stage. Through such missions the ILO was attempting to come to grips with fundamental issues involving social and economic changes of a far-reaching nature, taking account of national realities, policies and needs and in co-operation with the whole United Nations system.

35. The third result of the World Employment Programme had been to give a powerful stimulus to a research programme, financed to a large extent by outside sources and undertaken in co-operation with other agencies, on the more intractable problems related to employment, such as the causes of rural-urban migration, the relationships between education and employment and between population growth and employment, the employment effects of the "green revolution", the possibilities of expanding industrial employment and the means of combating urban unemployment. Multidisciplinary regional teams were already at work in Latin America and Asia, and arrangements were being made for similar action in Africa.

36. For the immediate future, the ILO had two major preoccupations. The first was to shift the emphasis of the World Employment Programme to providing practical assistance to countries in drawing up concrete action programmes which could be embodied in country programmes. That approach had been fully agreed with the Administrator of UNDP. Secondly, the ILO was concerned to discharge its task in full co-operation with the whole United Nations family and was holding consultations within the ACC on arrangements to be made at the inter-organization level.

37. However, the role of the ILO in implementing the International Development Strategy went considerably beyond employment. The Strategy called for a more equitable distribution of income and wealth, and full employment could not in itself guarantee the achievement of that goal. During the Second Development Decade, the poorest and most vulnerable sections of society must be thoroughly involved in, and derive clearly perceptible benefit from, the process of development. The ILO must be one of the major instruments to combat inequality and exploitation within and among nations.

38. To protect the poorest wage-earners, the ILO would have to promote adequate arrangements for minimum

wage-fixing. For non-wage-earners, peasants and artisans, there would have to be other approaches to the problem of minimum incomes. The creation of co-operatives and similar institutions could be a most powerful weapon for modernizing the production methods, mobilizing the savings and increasing the personal consumption of those underprivileged masses. Although the assistance provided by the ILO, in co-operation with other organizations and in particular with FAO, had greatly increased in recent years, an effort of an altogether different magnitude would be required in order to tackle effectively the overwhelming poverty of the developing countries.

39. The Strategy also called for a greater degree of income security. The ILO had been the acknowledged pioneer in developing new approaches to social security. In the developing world, however, only a minority - and generally, the most privileged minority - were protected by social security schemes. The needs were greater than ever. Development, by causing millions to migrate to urban agglomerations and profoundly altering the methods of production and ways of life in rural areas, was destroying the traditional structure of collective solidarity. Without some minimum form of income security and social protection for those uprooted by development, the stability of society would be damaged beyond repair. The ILO had undertaken a review of its social security programme in order to determine how best it could overcome those obstacles. In order to make up for the shortage of medical personnel, the ILO was going to give top priority to the promotion of medical care schemes under social security and to the extension of such schemes to ever wider sections of the population, in close co-operation with WHO. In addition, it was going to intensify its training activities for social security administrators and place at the disposal of developing member States an International Actuarial Service which would provide them with studies which they were unable to undertake themselves. The ILO was well aware that the results it would thus achieve by making the best use of available resources would be far from sufficient and that an intensive effort on a much larger scale would be necessary to provide the developing countries with the experts and resources necessary for a broad attack on poverty through social security.

40. The Strategy called for the strengthening of institutions able to contribute to constructive industrial relations policies. That was the heart of the work of the ILO and it was also an enormous responsibility. Freedom of expression and of association were the lifeblood of a dynamic progressive society. To suppress such freedom was to suppress the vital forces of popular participation and initiative essential to healthy development. That was why the work of the ILO to strengthen trade unions and other workers' organizations, employers' organizations and labour administrations, and to strengthen effective tripartite co-operation among all three, was so vital and why the ILO was going to give greater emphasis to those matters in its technical co-operation programme.

41. The ILO fully acknowledged its responsibility for the world of tomorrow, with the discipline which that responsi-

bility required in all fields. It was aware that the United Nations system held for mankind the one promise of freedom and well-being which gave hope and meaning to a world in disarray and that only by remaining adamant in that faith would it be able to discharge its responsibility for the world of tomorrow.

42. Mr. BOERMA (Director-General, Food and Agriculture Organization of the United Nations) said that recent trends in the world agricultural situation were disturbing. According to preliminary FAO figures for 1971, agricultural production in the developed countries had increased, while the rate of increase of agricultural production in the developing countries had dropped to the lowest level in 10 years. Certain factors, natural and otherwise, had to be taken into consideration, but they were not enough to explain that phenomenon. It was, in fact, the general trend which was serious, for the agricultural production of the developing countries was falling short of the target of a 4 per cent average annual increase set for the United Nations Second Development Decade and there were no indications that the trend was going to change. Unless urgent steps were taken, the entire Strategy for the Second Development Decade would be in jeopardy.

43. It was necessary to consider the reasons for that situation. Firstly, the importance of the development of agriculture was still not fully recognized by the developing countries, whose prosperity nevertheless was more heavily dependent on agriculture than on any other sector. Secondly, it seemed that the momentum of the "green revolution" had slackened. Governments should intensify their efforts to bring the new technology within the reach of the poorer, smaller farmers and to apply that technology in areas which nature had placed at a disadvantage.

44. In addition to that technical reason, there was a commercial reason. Agriculture in the poorer countries could not be expected to increase if there were not enough domestic and foreign markets for what was produced. Although the developing countries had increased their exports during the 1960s, their share in total world trade had declined, and most sharply in agricultural trade. What was therefore required was general acceptance of the principle that the developing countries needed special arrangements and, in particular, non-reciprocal concessions. Once that principle had been accepted, it would be necessary to share the markets between developed and developing countries. That was a delicate operation which would require some difficult decisions in many countries, and those decisions would have to be based on a great deal of patient preparatory work which could not be done at mammoth conferences.

45. In that context, the studies on international agricultural adjustment undertaken by FAO with a view to identifying the causes of the most serious maladjustments in international agricultural trade and, if possible, proposing solutions to existing problems could be of great value. He intended to make the results of those studies by FAO available to UNCTAD and GATT, thus laying the foundation for co-operation to bring about the necessary

harmonization of international aspects of agricultural adjustment by agencies which were competent in both agriculture and trade.

46. With regard to the social constraints which hampered the development of agriculture in the developing countries, he would begin with the question of agrarian reform. The report of the FAO Special Committee on Agrarian Reform (set up in conjunction with the United Nations and the ILO) pointed out that agrarian reform was not merely a question of redistribution of land. There was no doubt, however, that changes in land tenure and agrarian structures lay at the very heart of the problem and such changes depended on political decisions by governments. It was therefore necessary that governments should give careful study to the recommendations in the report of the Special Committee and take the necessary steps to improve the defective structures which acted as a brake on the modernization of their agriculture. Rural unemployment, which was a waste of human resources, was another negative factor which hampered the efforts being made to increase agricultural production in the developing countries. FAO, in co-operation with the ILO, intended to devote increased efforts to tackling that problem, but, there again, the main initiatives had to come from the governments concerned.

47. In addition, a new element had come into the picture, namely, the environment. Unless a large number of developing countries were to be left to face the prospect of famine and violence, everything possible must be done to enable those countries to increase their agricultural production. That meant the use of modern technology and, in particular, of fertilizers and pesticides. At the same time, an increase in food production brought with it a threat to the

soil and the seas. It would be necessary to call on human genius and man's will to succeed to devise better methods of conserving and managing natural resources, and the necessary funds would have to be found. FAO would give its full support to the implementation of the Action Plan for the Human Environment adopted by the Stockholm Conference.³ That Conference had been a success because it had demonstrated that the organizations in the United Nations system could work in close co-operation when confronted with an urgent problem affecting the future of the planet. For its part, FAO had a heavy responsibility in that field since more than one third of the recommendations of the Conference were addressed to FAO or mentioned FAO.

48. His organization was at present carrying out a complete review of its programmes and priorities, made necessary by the financial crisis over which it had no control. That review was essential and would undoubtedly be beneficial but, in so far as it involved a reduction in FAO's real resources, it could not go beyond a certain point.

49. In conclusion, he stressed that the organizations of the United Nations system, with all their experience, could play a major role in world economic and social development.

The meeting rose at 12.10 p.m.

³ See the report of the United Nations Conference on the Human Environment (A/CONF.48/14) (to be issued as a United Nations publication), part one, chap. II.