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President: Mr. M. KLUSAK (Czechoslovakia)

Present:

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

Observers for the following Member States: Argentina, Australia, Austria, Brazil, Bulgaria, Central African Republic, China, Greece, Iraq, Ireland, Israel, Italy, Japan, Portugal, South Africa, United Arab Republic, Yugoslavia.

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

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

AGENDA ITEM 2

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

1. Mr. ENCINAS del PANDO (Peru) said that, during the past twelve months, at least three events had occurred which were of great importance to the world economic

situation. They were the Kennedy Round of tariff negotiations, the Meeting of American Chiefs of State and the Papal Encyclical *Populorum progressio*.

2. The Kennedy Round of negotiations had been concluded on 30 June 1967. Fifty countries accounting for 80 per cent of world trade had taken part in the negotiations and the value of trade on which concessions had been granted amounted to \$40,000 million. However, the success of the negotiations had not been complete since it was mainly on manufactured goods that concessions had been granted. Concessions on commodities, which were of decisive importance to the developing countries' trade and economies, had been few. Developing countries which had taken part in the negotiations had accordingly pointed out that further negotiations should take place in order to solve all the outstanding problems. In the meantime, it was to be hoped that the large tariff reductions which had been made would result in a substantial increase in the trade of the highly developed countries, an increase which would be reflected in a greater demand for goods exported by the developing countries. Thus, while it was too early to make an accurate assessment of all the possible effects of the Kennedy Round of negotiations on the developing countries, there was no doubt that they would fall short of requirements and that further efforts would have to be made either in GATT or elsewhere to meet those countries' needs.

3. Although the main purpose of the Meeting of American Chiefs of State had been to give an impetus to the Latin American common market, the United States Government had indicated at that Conference that it was studying a possible system of preferences for developing countries. The introduction of such a system would have an important influence on the development of world trade and the world economy.

4. The Papal Encyclical *Populorum progressio* had contained a special and encouraging message for the developing countries.

5. The second session of UNCTAD to be held in 1967 was another event of great importance to those countries.

6. But, despite certain favourable developments, the outlook for the developing countries in the last years of the United Nations Development Decade was not encouraging. One reason why even the modest targets set for the Decade would not be achieved was that the recommendations of the first United Nations Conference on Trade and Development had not been observed. Foreign trade was vital to the development of the developing countries and they looked to the United Nations and other interna-

tional bodies to use their influence to secure more favourable conditions for them in that sector.

7. Peru's economic growth rate in recent years had been 7 per cent per annum, its industrial output having increased at the rate of 11 per cent per annum. Those favourable developments had taken place within the framework of structural changes which in the long run would have very favourable repercussions on the economy. At the same time, Peru had maintained monetary stability and had avoided serious price fluctuations. It had done so while pursuing a policy of economic liberalism and observing democratic principles and practices. Moreover, it had had many unfavourable factors to contend with. Its population was continuing to grow at a rate of 3 per cent per annum. Its trade balance and its balance of payments had become unfavourable; there had been a deficit of \$63.2 million in the trade balance in 1965 and one of \$51.3 million in 1966. That had occurred at a time when Peru's international trade as a whole had been growing rapidly. Since the beginning of the decade its foreign trade had almost doubled and it was expected that it would reach a figure of \$1,000 million a year by 1970, by which date its balance of payments would probably be in deficit by more than \$150 million. The unfavourable balance of payments position had resulted in a decline of \$14 million in its foreign currency reserves. Prompt measures had been taken to prevent a further deterioration in the position, including the imposition of duties to reduce imports of luxury goods and a curtailment of State expenditure. The debt service on foreign loans and the existence of tied foreign loans were factors which exercised an unfavourable effect on Peru's economy.

8. Peru had to take energetic action with respect to its internal sector. It was pushing ahead with land reform, with its campaign to eliminate illiteracy and with industrial development projects. His delegation agreed with the Secretary-General's emphasis on the internal sector and on the importance of agriculture in development (1480th meeting). It was essential for Peru to make its agriculture more productive and more diversified. He believed that it was necessary to lay down quantitative targets to be achieved within specified periods of time. Peru had also to increase per capita income, particularly in the case of the rural population. The existing disparity in per capita income between those engaged in the more advanced and less advanced sectors of the economy was very striking.

9. The objectives to which the Secretary-General had referred could not be achieved if a piece-meal approach to economic development was maintained. That approach had resulted in a dispersal of resources so that only preliminary and general work had been undertaken. The time had come to think of some new method so that a tangible improvement in incomes and living standards, both at the national and regional levels, could be achieved during the second Development Decade. Such action would call for a specific selection of objectives, the concentration of resources, and the establishment of interregional and intersectoral links. If the old approach were continued, the activities of the United Nations would be limited to organizing pilot plants and experi-

ments, and the resources of the international community would not be fully utilized.

10. Mr. NAVA CARRILLO (Venezuela) said that, as the Secretary-General had again stated, the results achieved at the mid-point of the Development Decade had been 20 per cent below expectations. It was therefore unlikely that the target of an annual rate of economic growth of 5 per cent in the developing countries would be achieved by the end of the Decade, particularly as the trend in the last few years had not been encouraging. The joint efforts made to find a solution to the complex problems of development had, however, led to some progress, inasmuch as it could be said that the international community was on the right path. However, it was necessary to know the distance that still had to be covered and the time needed to cover it, and to be certain that adequate action was being taken.

11. The three topics which the Council had selected for particular attention at the current session, namely multilateral food aid, human resources and the implementation of national economic and social development plans, together covered many of the problems to which the developing countries were seeking solutions. In considering those topics, it was necessary to deal with the most pressing problems, evaluate achievements, lay down guidelines for future work, and decide on methods of implementation.

12. With respect to the food shortage, his delegation had been seriously concerned to hear the Director-General of FAO say (1482nd meeting) that hunger, as a world problem, had become more widespread during the past two decades, when development had been the major concern of the international community. While remedial measures could be taken by the international organizations in the most serious cases, such measures provided no permanent solution to the problem of hunger. In that connexion, his delegation believed that delivery programmes should be governed solely by humanitarian considerations. It therefore considered that the FAO's approach to the matter was the correct one. The solution to such problems as hunger and poverty did not lie in the free supply of ever larger quantities of food but in increasing productivity to the point where output met needs. Efforts should be concentrated on increasing agricultural productivity through the establishment of industries processing agricultural products and through an increased use of fertilizers. The developed countries could provide constructive assistance with the first activity, while the developing countries themselves could make a considerable contribution to the second, thus also stimulating their own economies. Venezuela, for instance, could supply nitrogen fertilizers at very reasonable prices.

13. Secondly, with a view to overcoming the protein consumption deficiency, bodies like the Council, UNDP, FAO and other inter-governmental and private international organizations should make every effort to promote research with a view to obtaining protein from vegetable and mineral sources. A number of petroleum companies and scientific centres, such as the Battelle Institute at Geneva, had been carrying out research on the subject during the past ten years. The extraction of protein from

new vegetable sources or from hydrocarbons would help to overcome the protein shortage, which was constantly increasing.

14. Referring to the question of human resources, he said that the first point which had to be considered was the population explosion. The consequences of rapid population growth and the increase in the labour force were serious. He endorsed the conclusions set out by the Secretary-General in his report on the development and utilization of human resources in developing countries (E/4353 and Add.1 and Add.1/Corr.1), to the effect that more people should be involved in the development process and should be given adequate training to that end. The United Nations estimated that the population of the developing countries would double in thirty-five years. That estimate was based on the assumption that there would be a substantial decline in the birth rate. However, if family planning projects did not become as widespread as was hoped, the population of those countries might be 6,000 million in the year 2000. The Secretary-General had referred to a change of attitude towards the population problem, to the increasing recognition of the need to provide the citizen with the means of controlling the size of his family; he had appealed to Governments and institutions to make voluntary contributions to the trust fund which had recently been set up for the purpose of establishing training centres and introducing pilot projects to assist countries in instituting or expanding their own administrations or programmes in that field.

15. While he considered it a healthy sign that the United Nations should make greater efforts to help to solve world population problems, he did not entirely share the view that a reduction in the birth rate alone would solve all the problems. In some cases, of course, a reduction in the rate of natural increase could be a valuable palliative. In others, its long-term effects might be unfavourable if it led to an imbalance in the age distribution of the population. The other factors involved in the population problem should also be taken into account. Human resources should be better utilized by further employment of the labour force. That should be done by raising the level of productive employment, by training and by enlisting popular support for development activities.

16. Under-employment was a factor to which more attention should be paid, in order to determine its exact effect on the demographic problem, bearing in mind that it was one of the characteristics of under-developed economies. Such economies had developed as well as under-developed sectors. In Venezuela, for example, the textile sector was a developed sector, while in the agricultural sectors there were both developed and under-developed areas.

17. There were two aspects of training to which he wished to refer. The first was its multiplier effect and the second its cross-fertilization effect whereby a completed project might become a training centre for fellows from other countries. Where the second aspect was concerned, his delegation felt that, instead of continuing to set up regional institutes which were a charge on the interna-

tional institutions and which would be difficult to close, consideration should be given to establishing national institutes which would have regional significance and which would be given financial assistance for an initial, limited period.

18. In his delegation's opinion, public participation in development plans was essential for their success. International officials sometimes had brilliant ideas which failed to take into account the most urgent problems of the regions with the result that they did not secure full support at the national level.

19. With respect to the problem of implementation, it was essential that goals and aims should be clearly defined and should have regard to the interactions of the national, regional and international sectors. That was an area in which ECLA, like the United Nations itself, had made a valuable contribution. It was necessary to know what future trends would be, and to endeavour to quantify them as accurately as possible and correlate them within a coherent framework. The United Nations and the specialized agencies were in a position to help countries to direct their efforts along those lines.

20. Venezuela used the indicative planning system. It did not attempt to direct private initiative but to channel it, because satisfactory results were achieved only when both the public and the private sector participated in planning. His Government was aware of the importance of a mixed economy in the developing countries.

21. In discussing planning, his delegation wished to refer to the external trade and financing problems of the Latin American countries, subjects on which ECLA had concentrated attention at its twelfth session (see E/4359). It had reached the conclusion that the international financing available for development plans must be increased and that the terms on which international loans were made available must be improved (ECLA resolution 268 (XII)). The Managing Director of IMF (1482nd meeting) had drawn attention to the close relationship between the growth of production and the level of export earnings and had expressed the view, which was shared by the Venezuelan delegation, that that situation was due to the limited amount of external financing available to many developing countries both in the form of international reserves and of loan facilities. It was obvious that, as the developing countries lacked reserves and external loan facilities, they had to export in order to obtain the essential foreign exchange to purchase capital goods and services. As export earnings depended largely on a single product, generally a raw material, the price of which was affected by factors tending to push it downwards, the earnings from that source were likely to decrease unless the volume of exports rose. If export earnings declined, imports would be restricted with the result that production would be adversely affected. Given the present market trends for such products, an attempt to increase the volume of exports in order to maintain total earnings at the same level would accelerate the downward trend of prices.

22. His delegation was convinced that there were other factors which could affect the economic situation. Those

included political factors, which might give rise to disturbances. Venezuela's policy in the matter was based on the view that no one should take advantage of the misfortunes of others.

23. Lastly, he referred to the need for the maximum co-ordination of the activities of the international organizations and national Governments. The relations between ECLA and the Inter-American Committee on the Alliance for Progress (ICAP) provided an excellent example of good co-ordination in the Latin American region. National programmes were analysed in ICAP, which provided an opportunity to view them in a regional context and to ensure complementarity. The work done by the United Nations family to promote the development and utilization of human resources was an example of such co-ordination on a larger scale, and future activities in that field would be awaited with great interest.

24. Mr. ZAKHAROV (Union of Soviet Socialist Republics), observing that the Council was meeting at a time when the international situation was fraught with tension and danger, said that the war being waged by the United States against the Viet-Nameese people and Israel's aggression against the Arab States had had a disastrous effect on world economic conditions and on the development of international economic co-operation. The resulting situation had compelled many countries to safeguard their own security by increasing their military expenditure, thus diverting resources from the solution of urgent economic problems of a peaceful character. In accordance with the ~~Chapter~~ Charter of the United Nations, the Council should, therefore, forcefully condemn the policy of military aggression.

25. Referring to figures given in part II of the *World Economic Survey, 1966* (E/4396 and Add.1-3 and Add.1/Corr.1), he said that, although at first glance the situation of the capitalist economies seemed relatively favourable, with aggregate increases in gross national product, industrial output and trade, the rise in industrial production was confined mainly to a few developed countries, and economic growth rates in most of the developed capitalist countries had shown a substantial decline. In the United States, for instance, the artificial boosting of the economy by military orders had, predictably, failed to bring lasting economic benefits, and industrial production had virtually stagnated in the latter half of 1966; similar conditions had prevailed in some of its NATO allies. In many west European countries unemployment and inflation had increased and the purchasing power of the population had declined. That had happened because the recent economic boom in a number of western countries had been based on militarization of the economy and not on sound economic foundations. Such a policy adversely affected the world economy, impeded the normal development of international trade, disorganized international economic relations, diverted vast resources from development to destructive purposes and seriously hindered efforts to overcome the economic backwardness of developing countries. The military conflict precipitated by Israel had undoubtedly caused a deterioration in the world economic situation as a whole.

26. The economies of the socialist countries, on the other hand, had continued to expand at high rates during 1966. The national income of the European socialist countries had increased by 7 per cent, a figure well above the average for the previous ten years. Despite the view recently expressed in United Nations documents and by many western economists that socialist countries were incapable of solving the problems of agricultural expansion, the *Survey* showed that agricultural output in the European socialist countries had been 9 per cent higher in 1966 than in the previous year. To any objective reader, the figures given in part II, chapter III, of the *Survey* were convincing proof that the socialist economic system, based on planning, ensured high, stable rates of economic development and a steady improvement in the living conditions of the workers.

27. Despite the efforts of the developing countries to consolidate their independence and to find ways of speedily achieving their economic and social objectives, the economic position of many of them was still grave and was deteriorating. Economic growth rates in Asian, African and Latin-American countries were declining and had failed to reach even the modest levels set for the Development Decade. The prolonged stagnation of their agricultural sector had made it more difficult for them to carry out their industrialization and construction plans and even to feed their populations. Per capita food production was falling in most developing countries and the problems of food supplies and food imports were becoming matters of grave national concern in many developing Asian and African countries.

28. The foreign trade situation of most developing countries had continued to deteriorate in 1966, despite increased activity in some food and commodity markets. The principles and recommendations relating to the more urgent problems of trade normalization that had been adopted at the first session of UNCTAD were not being applied in practice. As a result of the unfavourable relationship between the prices of commodities and manufactured goods, the developing countries' share of world trade had continued to decline. The hopes which many developing countries had placed in GATT and the Kennedy Round of negotiations had not been justified and their foreign trade problems remained unsolved. In the opinion of the Soviet delegation, the solution to those problems should rather be sought through UNCTAD on the basis of the principles governing international trade relations and trade policies conducive to development. The unsatisfactory economic growth rates of the developing countries were a consequence of the deteriorating conditions in the commodity markets, the exploitation of those countries' natural resources by private foreign capital on terms which imposed a burden on them and the colonial legacy in their economic and social structure. One of the main causes of the manifest failure of the Development Decade was the continued extortion of vast sums from the developing countries by foreign monopolies in the form of profits, dividends and interest on loans.

29. Many countries were still not in a position freely to dispose of their own resources. In the interests of econ-

omic development, efforts should be made to counter any neo-colonialist attempts to exploit the backwardness of former colonies by fixing artificially low prices for exported commodities and high prices for imported manufactured goods, expatriating profits, imposing high interest rates on loans, raising freight charges and enticing specialists to leave their countries. Despite the principles enunciated by the General Assembly, UNCTAD and the Council for the protection of newly-independent countries, the western Powers were still encroaching on the rights of those countries. The Council might consider adopting an appropriate declaration on the protection of the economic interests of developing countries in accordance with the principles of the Charter of the United Nations.

30. In their efforts to overcome their economic backwardness, hunger, poverty and illiteracy, many developing countries, after obtaining political independence, had embarked on a non-capitalist course of development. They had instituted progressive social and economic reforms and had achieved their first successes in economic development. They had effectively combated the encroachment of foreign capital, despite the opposition of certain external forces.

31. United States and United Kingdom oil monopolies derived a revenue of over \$1,800 million a year from the Middle East, where invested capital paid for itself in less than two years, as compared with ten years in some other oil-producing regions. The forces which had provoked the war against the Arab countries were now trying at all costs to halt economic and social progress in those countries and to deprive them of their wealth. The United Arab Republic, Syria and Jordan had sustained heavy material losses in that war and consideration should be given to channelling urgent economic assistance to the Arab countries through the United Nations and its specialized agencies. That would in no way affect the question of the payment of compensation to the United Arab Republic, Syria and Jordan for their losses by the party responsible. The Council could not turn a blind eye to the grave consequences of the war for the economic development of the Arab States, or to the plunder of natural resources in occupied Arab territories. Events in the Middle East also affected the economic interests of other peace-loving countries, including developing countries, and international economic co-operation as a whole. The Soviet delegation intended, in accordance with Chapters IX and X of the Charter, to submit an appropriate draft resolution on the subject. His delegation had already asked the President of the Council to place on the agenda a special item on the responsibility of Israel for the economic damage caused to Arab and other peace-loving States by its aggression against the United Arab Republic, Syria and Jordan (E/4409). He would make a full statement on his country's position when that proposal was under discussion. At a recent meeting of the leaders of Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, the USSR and Yugoslavia, the economic aspects of the situation in the Middle East had been discussed and consideration had been given to the possibility of granting economic aid to the Arab countries.

32. Further economic progress required the fullest international economic and technical co-operation with the participation of all interested countries, yet unjustified obstacles were still being raised to the admission of a number of countries, including the German Democratic Republic, to membership and full participation in the United Nations. As a highly-developed industrial country, the German Democratic Republic could make a substantial contribution to United Nations efforts to promote international co-operation. The discrimination of the United Nations and its agencies against that country was entirely unwarranted and was contrary to the Charter and to the principle of the Organization's universality emphasized by the Secretary-General in his message to the session. The policy pursued by the German Democratic Republic was entirely in accordance with the United Nations principles and that country had every right to participate in the Organization's work on an equal footing with all other States. He believed that all countries whose policy conformed to the principles laid down in the Charter should be able to participate in its work in the interests of peace and progress.

33. Emphasizing the importance of planning for economic development, he said that the USSR was the home of planning on a nation-wide scale and that it had some fifty years' experience which might be of value to developing countries. In economic development, his country had been obliged to rely on its own resources and had not received large loans or substantial economic aid from other countries. The workers had deliberately restricted their material requirements to speed up industrialization. Except during the Second World War, production in the USSR had never declined and consistently high rates of economic development had been maintained on the basis of planned purposeful utilization of resources in the interests of the nation as a whole; production anarchy, economic crises and unemployment had been eliminated. Planning permitted an ideally balanced economy, rational distribution of production capacity, effective utilization of resources and a steady rise in living standards. The USSR now accounted for nearly 20 per cent of the world's industrial production, compared with less than 3 per cent fifty years before. Real income per worker had increased by a factor of 6.5 in the industrial and construction sectors and by a factor of 8.5 in agriculture. Impressive improvements had been achieved in formerly backward peripheral regions such as Central Asia and Trans-Caucasia. Foreign trade had increased from 2,300 million roubles in 1913 to over 15,000 million roubles in 1966.

34. The Soviet Union had undertaken to assist foreign countries with the construction or extension of over 2,000 industrial enterprises, workshops etc., over half of which were already in operation.

35. His delegation considered that United Nations work in the field of planning should be extended and given priority in operational programmes. The purpose of that work should be to promote the development of planning as a major factor of economic growth in developing countries. The programme in that field might include such subjects as the strengthening of national long-term and current planning organizations, preparation of sec-

toral plans, regional and sub-regional co-ordination of certain forms of production, training facilities for planners, and planning research.

36. Mr. LOPEZ (Philippines), referring to the apparently general view that the modest goals of the present Development Decade would not be attained, said he agreed with the representative of Panama that, unless there was a decisive change in the present situation, the proposed second Development Decade would be doomed to failure before it began. The growth rate of a majority of the developing countries remained below 4 per cent and, with the increasing population pressure, no substantial improvement in living standards could be achieved. The annual flow of international capital and assistance remained far below the present target of 1 per cent of the industrialized countries' gross national product and there was no indication that a new concerted effort would be made by all countries to bridge the widening gap between the rich and poor countries. The developed countries, regardless of their differences in political ideology or economic systems, seemed to be united against the developing countries in such matters as trade liberalization, industrial development promotion, the channelling of aid through the United Nations and the relaxation of credit terms for development financing. It was ironical that the *détente* between East and West had not increased the financial resources available to the developing countries, and it might well be asked whether the hope that general disarmament would automatically release substantial funds for development was not also illusory.

37. The USSR representative had condemned the capitalist system, not because it had failed to produce results, which in fact remained substantial, but because it used what he considered to be the wrong methods. The capitalist countries criticized the socialist countries for the same reasons. In fact, both socialist and capitalist developed countries were prospering. What the developing countries wanted from both sides was better terms of trade and more assistance on conditions compatible with sovereign independence. Increasing population, insufficient domestic means, and static or diminishing external assistance left the developing countries with the prospect of growing poverty and discontent, with all the accompanying social and political tensions.

38. The developing countries appreciated the efforts being made to promote their economic and social progress by individual countries and through the United Nations and its agencies, and agreed with the Secretary-General on the need for patience and perseverance. They also endorsed his view that world peace and security depended no less on constructive and far-ranging co-operation for economic and social development than upon the settlement of political disputes and that the one could not be allowed to wait for the other. At the same time, the situation was too serious for the encouragement of false hopes or illusions. The developing countries should be told frankly that their expectation of a better life in larger freedom could not be realized unless there was a radical change in the approach to international co-operation for development. The developed countries in turn should be made to realize that their real long-term interests required them

to forgo some of the economic advantages they now enjoyed over the developing countries. Both sides should be persuaded to reappraise their respective positions and consider the prospect of a fuller commitment to more balanced economic development than they had hitherto been prepared to accept. The present system of international co-operation in regard to economic development had been conceived at a time when the developing countries' need for achieving self-sustaining growth had not been fully appreciated. The various international agencies and institutions for technical and financial assistance had all been improvisations designed to meet the growth needs of the developing countries as they arose. Such improvised arrangements were no longer adequate. Many developing countries were embarking on economic and social development in depth on a long-term basis, and their need for technical and financial assistance and trade opportunities was exceeding the capacity of the present system of international economic co-operation. They had reached a crucial stage during which they could either move forward towards economic stability and prosperity, or stagnate and sink back into poverty.

39. Western economic experts had from time to time suggested a joint top-level review of the West's economic relations with the developing countries, with a view to a fuller commitment on both sides in a partnership based on equality of rights and interests. Such a review could also benefit the developed countries, assuming that the full participation of the developing countries in an expanding world economy was essential to world peace and security. The Administrator of UNDP (1481st meeting) had himself advocated a reappraisal along those lines. It was time to realise that, without assistance, there would be no development and that expressions of generous intentions must now be translated into practical action. The developing countries could benefit from advice, but their need for resources was greater. The developed countries did not lack the necessary material resources or technical capacity, but only the political will to accelerate decisively the economic and social progress of the developing countries. The latter, for their part, should show a greater readiness to meet their own problems and to modernize and equip their own societies for accelerated development. But first they should discard their illusions; the poor countries had verbally graduated over the years from "under-developed" to "less developed" and then to "developing", as if the salving of their national vanities would relieve the misery of their people. In fact, most of the poor countries were not developing at all, and only the developed countries could be said to be doing so. The present relationship was humiliating for the poor countries and embarrassing for the rich ones. It was time to move towards a more rewarding partnership based on equitable sharing of stakes and benefits. The second session of UNCTAD might provide an opportunity for such a new approach.

40. Mr. ATTIGA (Libya) said it was regrettable that the United Nations had so far failed to condemn and punish aggression in the Middle East. It was to be hoped that the renewed efforts currently being made to enable the United Nations to perform its peace-keeping functions would prove successful, since the Council's work would

otherwise have little relevance to the actual world situation. The developing countries' primary requirement of the United Nations was that premeditated aggression should not be tolerated and that no advantages of any kind should be obtained from it. If that requirement were not fulfilled, there was little point in the United Nations attempting to supply their secondary requirements.

41. There was ample evidence to support the conclusion that the developing countries as a whole were now in a relatively worse economic position than at the beginning of the Development Decade. As the Secretary-General and the Administrator of UNDP had stated, the rate of economic and social progress in the developing countries as a whole was discouragingly slow, while the international pronouncements by the developed countries that they would do their utmost to remedy the situation had not been matched by deeds.

42. Many of the developing countries were faced with certain internal policy problems. It was generally agreed that their per capita food production must be raised to meet the increasing food gap. To do so required, *inter alia*, the adoption of reforms relating to the land-tenure system or to an oppressive social order affecting the agricultural population. No amount of capital or technical investment in agriculture would produce the desired results in the absence of such reforms. An increase in industrial output also required the rapid application of modern technology, the creation of larger economic units, and the promotion of import-substitute industries wherever possible. Another prerequisite was the rapid development and utilization of human resources for productive purposes. The Administrator of UNDP had pointed out that only about 10 per cent of the human resources of the developing countries as a whole was being productively employed. Without an improvement in that respect, there was no hope of sustained economic and social progress. It was equally important to improve the quality of human resources. Many developing countries, his own among them, had been making intensive efforts to achieve that objective through education and health services. Unfortunately, the results were often not commensurate with the needs. It was important that the United Nations should give top priority to work in that field.

43. The monetary and fiscal problems of developing countries were well known. Those countries were suffering from chronic inflation, and their rigid and under-developed economic structure was incapable of responding to the kind of monetary and fiscal correctives applied in the industrial countries. The administrative and fiscal structures of many developing countries were, in fact, quite unsuited to the modern fiscal policies so often advocated by the experts. Before such policies could be effectively applied, fundamental structural reforms would have to take place. United Nations expertise and world-wide experience should be drawn upon with a view to evolving the theoretical basis for dealing with the growth problems of developing countries.

44. But even if all the developing countries were fully determined to undertake all the fundamental reforms necessary for effective development, they would still be

unable to make rapid progress without some parallel reforms in their external relations with industrialized countries. The initiative lay essentially with the industrial nations, since the efforts of the developing countries to create favourable internal conditions for growth would be futile without an equally determined attempt by the developed countries to create favourable external conditions.

45. The terms of trade between the developing and developed countries were deteriorating. As a result of the excellent work done by FAO and UNCTAD, it was common knowledge that the developing countries were losing substantial amounts of foreign exchange annually, since they were paid low prices for their exports and charged high prices for their imports. In fact, they were forced to export capital to the developed and industrial countries. No adequate solution could be found to that problem without concerted action by the developed countries, which should be prepared to grant major concessions to exports of manufactures and semi-manufactures from the developing countries and to offer trade and investment guarantees which would prevent the drain of much-needed capital. If the developed countries continued their aggressive external trade policies, they should not claim that they were doing everything they could to assist the developing countries when, in fact, they were using their economic power to gain maximum advantages for themselves from world trade at the latter's expense. They should match their words with deeds. The developing countries, for their part, could also increase their bargaining power by joint efforts to promote trade among themselves and by establishing common organizations for the co-ordination and supervision of their trade policies, especially with respect to exports of certain raw materials. The example of the Organization of the Petroleum Exporting Countries demonstrated the value of such efforts.

46. The Secretary-General had suggested that the second session of UNCTAD should be used to initiate action leading to tariff reductions in favour of the developing countries. That was a commendable idea which should be vigorously pursued. The success of the Kennedy Round of negotiations was an encouraging sign for the future, although the interests of the developing countries had to a large extent not been met.

47. There was also a need for a basic change in the policy of the developed nations with regard to the concept and management of foreign aid. An essential step in that direction was the establishment of a common definition of what constituted foreign aid. Each developed country issued periodic statements concerning the size of its foreign aid programme but it was doubtful how much of that programme could genuinely be described as economic aid, since the figures frequently covered foreign military aid, export promotion schemes and various other domestic subsidies. The developing countries had to rely on the United Nations to formulate an acceptable definition of foreign aid as distinct from foreign trade and military assistance.

48. It was, however, regrettable that even on the basis of the current system of calculation, the rate of capital

transfer to the developing countries was actually declining. The target fixed for the first Development Decade had been 1 per cent of the national income of the developed countries, but the actual rate had declined from 0.60 per cent in 1961 to less than 0.49 per cent in 1965. That was not the whole story, because it was also necessary to consider the outflow of capital from the developing to the developed countries in order to establish the figure for net capital transfers. The United Nations and the international financial institutions had been rather slow to undertake the required research into the matter and, in the absence of the necessary data, it was impossible to say whether the developing countries were net recipients or donors of capital.

49. A further problem was the loss of human resources from the developing to the developed countries. He was glad to hear that the United Nations Institute for Training and Research was carrying out certain studies in that field. The developed countries should also co-operate with the developing countries to prevent or reduce the rate of migration of well-trained personnel.

50. Another area in which there was urgent need for change was that of international monetary and fiscal policy. The chief responsibility in that matter lay with the industrialized countries possessing key currencies. It was clear from the statements by the representatives of IMF and IBRD that the tight monetary policy pursued by the industrialized countries throughout 1966 had made it even more difficult for the developing countries to borrow in world markets and had further aggravated their balance-of-payments problems. It was also noteworthy that the resort to high interest-rate policies in some industrialized countries had been largely due to a spirit of competition rather than to actual balance-of-payments difficulties. The industrial countries should be made to realize that, when they adopted such a policy, they not only discouraged the investment of private capital abroad but also caused a flight of capital from the developing nations. The industrialized countries had a responsibility so to formulate their external financial policies as to avoid contributing to the already grave economic problems of the developing countries. It was also reasonable to expect them to adjust their monetary policies to the growth needs of the less developed nations, which were so vulnerable to external disturbance. The Council should adopt the practice of making an annual review of developments in that field, since only such a review would reveal the great discrepancies that often existed between the needs of the developing countries and the external trade and financial policies of the industrialized nations.

51. The Director-General of FAO (1482nd meeting) had outlined the scope and dimensions of the world food situation and had said that, in one country alone, 60 million people were affected by hunger. It was appalling that such conditions could exist in many parts of the world while, elsewhere, vast resources were being diverted to armaments and the conquest of outer space. The Council must discuss those issues and take a courageous stand on them, consistent with the purpose for which it had been established and in accordance with the lofty aims of the Charter. That was why his delegation wholeheartedly

supported the proposal made by the USSR representative that the Council should give first priority in its agenda to the economic consequences of Israel's aggression in the Middle East.

52. The Administrator of UNDP (1481st meeting) had pointed out that world resources were being diverted from peace-building to destruction and violence and had made it clear that, in many instances, the words of the world Powers were not compatible with their deeds. Such contradictions could only lead to increased distrust, insecurity and violence. In such a situation, small and developing countries would inevitably pay more attention to armaments and military strategies in order to preserve their sovereignty; the representative of IBRD had given figures showing the heavy burden represented by their defence expenditure.

53. The recent Israel aggression in the Middle East, which had been condoned and encouraged by certain big Powers, clearly illustrated the fate of the post-war concept of peace-keeping through the United Nations. The imposition of white minority rule in South Africa and Rhodesia and the recent landing of invaders in the Democratic Republic of the Congo were other examples of the same trend. If it was allowed to continue, further military conflicts and a worsening of the world economic situation were inevitable. It was sad to observe that some big Powers, which had done much to bring about that dangerous trend, had frequently and eloquently proclaimed their desire for peace and prosperity for all. It was strange that the President of one such Power had announced a plan for the peace and prosperity of the Middle East on the very morning that Israel had launched its premeditated aggression in that area. Why had that plan not been announced in times of peace ?

54. There was a need for a greater measure of co-ordination and co-operation, combined with specialization, among the various units of the United Nations family. The existing situation was highly unsatisfactory. If the developing countries were to derive full benefit from the efforts of the United Nations and other international bodies, the United Nations family must co-ordinate its activities in such a way as to achieve a systematic, specialized and, above all, simplified approach to the problems of developing countries. His delegation sincerely hoped that the Council would attempt to place all the various aspects of the co-ordination problem in proper perspective and that, with the co-operation and goodwill of all the parties concerned, its efforts would be fruitful and rewarding for the entire world community.

55. Mr. BARTON (World Federation of Trade Unions), speaking at the invitation of the President, said that recent economic trends in many parts of the world were causing great concern to the trade union movement. During the first six years of the current decade, there had been an economic expansion in most areas, even though that expansion had been irregular and insufficient to meet the essential needs of large sections of the people, particularly in developing countries. But, as was pointed out in part II of the *World Economic Survey, 1966*, the slight slowdown in 1966 had been followed by a situation which was close to economic stagnation in important areas,

notably in the United States of America and western Europe. Although it was perhaps premature to speak of a crisis in those countries, particularly since, to some extent, the slowdown was deliberately caused by government policies, that stagnation in production, coupled with the structural changes taking place in an unplanned manner in those economies, had accentuated the current state of depression in certain sectors of production. Many workers in those sectors had lost their jobs or faced reduced incomes as a result of short-time working. Those problems were compounded by the major difficulties arising from the wider application of automation and new technology in production.

56. The re-allocation of labour in response to those changes gave rise to problems which were primarily the responsibility of the State. In some countries, certain measures for retraining and at least partially maintaining the incomes of the workers affected were being applied or prepared, but those measures were far from adequate. They needed to be strengthened and applied in all the countries concerned if the necessary economic changes were not to provoke widespread opposition among the workers. The elimination of individual hardship, unemployment and loss of qualifications had to be effectively guaranteed.

57. What would happen to the exports of developing countries if the stagnation or slowdown in the growth of production in the developed countries continued? While those exports had apparently maintained their rate of increase in the past year, it was only to be expected that the large proportion—over 70 per cent—which went to the developed capitalist countries would be seriously affected after a certain time-lag. The *Survey* gave little comfort, reporting forecasts of smaller increases in production in the United States and in western Europe in 1967, a pessimism confirmed by more recent information. Moreover, as the *Survey* pointed out, any rise in military spending was likely to delay steps to create a new upsurge in demand and in civilian employment. The economic effects of the Middle East crisis were also certain to spread, notably through increases in the cost of living. Petrol and transport prices might rise as the oil monopolies tried to maintain their profits in conditions of short supply and as shipping companies took advantage of the increased demand for their services. Those developments would have a harmful effect, for example, on the price of food supplies to developing countries.

58. The coming period would thus be crucial for the workers in the developed market-economy countries and in developing countries. That situation called for immediate measures in the developed countries to expand purchasing power, to remove general economic restrictions and to stimulate new growth.

59. Any measures to reduce imports or improve the balance of payments should, if necessary at all, be selective and applied in such a way as to limit the damage to developing countries. The results of the Kennedy Round of negotiations, while generally not unfavourable, were extremely disappointing so far as their probable effect on the trade of developing countries was concerned. They revealed a basic weakness in the traditional GATT

approach, in that bargaining for mutual concessions and tariff rates inevitably gave the advantage to advanced countries.

60. It was thus particularly necessary for all concerned to make special efforts to ensure that the second United Nations Conference on Trade and Development took effective measures to promote the expansion of world trade and economic relations on an equitable basis and above all to stimulate the trade of developing countries. That would entail pressure for changes in the attitude of the few Governments whose resistance would constitute the main obstacle to agreement. That had been one of the objectives laid down in the decisions of the World Trade Union Conference which had met in Budapest in December 1966 to discuss the development of international trade and economic relations. The conference had called on the trade union movement at all levels to make increasing use of its influence for the solution of the serious problems currently existing in international trade and to demand specific measures to help to increase and diversify the trade of developing countries.

61. The WFTU welcomed the convergence of ideas among the international trade union organizations on the participation of the trade unions, through the grant of consultative status or other means, in negotiations for the conclusion of international commodity agreements, a proposal that had been made, *inter alia*, by the International Confederation of Free Trade Unions. It had also been among the points in the resolution which the Budapest Conference had addressed to the ILO, requesting that organization to examine the possibility of enabling representatives of the workers and trade unions to participate in the implementation of policies relating to international trade relations and to plan special meetings to study the contents of the international agreements for various products with a view to promoting a steady rise in the level of employment in the countries concerned, and particularly in the developing countries.

62. Regardless of the measures taken to improve international trade arrangements, the ability of the developing countries to establish foreign economic and trade relations of the type which could serve the needs of their peoples depended on the establishment and consolidation of their economic independence. With that end in view, WFTU reasserted its support for the establishment and development of industry, and particularly of the state sector, in those countries. With the establishment of UNIDO it therefore looked forward to a rapid expansion of the activities of all organizations and bodies in the United Nations family, including the Council, for the promotion of industrialization.

63. Human resources should receive increasing attention in those efforts to accelerate industrialization. Even in the developed countries, human resources were being wasted through unemployment and through inadequate training and retraining facilities. The Second European Regional Conference of the ILO in 1968 would provide a valuable opportunity for broad discussion, with the participation of trade union representatives from all European countries, of questions relating to structural economic changes, employment and training, etc.

64. The main problem in most developing countries was not the inadequate utilization of human resources, but the absence of any possibility of fruitful employment for the vast majority of the population. Nevertheless, the problem of qualifications and training in those countries was an essential one and WFTU welcomed the increased efforts being made by national and international bodies to deal with it. The trade union organizations wished to co-operate in accelerating the spread of literacy and general education among the economically active population and in extending vocational training for young people and adults and the training and recruitment of teachers and instructors.

65. During the first three months of 1968, WFTU would organize an international trade union conference at Turin on the subject of vocational training and apprenticeship. That conference, which would be open to all trade union organizations without discrimination, would consider a wide range of problems relating to the adaptation of vocational training to the needs of the modern economy and of the workers. Special attention would be given to technical education, vocational guidance, basic literacy, speedier training of adults and the specific problems of women workers. The conference would discuss the transfer to the workers of developing countries of the technical knowledge and skills of the workers in developed countries. It would also consider how international co-operation and technical assistance could best be provided to promote the economic and social development of those countries with full respect for their national sovereignty.

66. The report on human resources which was before the Council, although mainly concerned with the economic aspects of the subject, pointed out that they could not be separated from the social aspects. The trade unions considered that the aim of training should not be to provide a narrowly specialized and cheap labour force for employers. All-round development of qualifications and interests, adequate pay for qualifications and help to the worker in gaining a general conception of his role in modern society were important factors in the development of human resources. In that process, the trade unions had a special and irreplaceable part to play. It was essential that the trade union organizations in the developing countries should be associated with the preparation and application of all aspects of manpower programmes.

The international trade union movement could make a valuable contribution by facilitating the exchange of experience in that field.

67. He endorsed the view contained in the report of the Committee for Development Planning on its second session (E/4362 and Corr.1) that it was not meaningful to talk of the implementation of development plans if necessary policies for social change, such as land reform and income redistribution, were not adopted. The political will to develop and the ability to exercise essential control over strategic activities in the economy were inescapable conditions for the effective implementation of development plans. That ability could be particularly strengthened by the appropriate development of the public sector, by the assumption of a leading role by the State in investment and credit policy and by the organized supervision of the activities of the private sector, including foreign enterprises. Those views were in complete conformity with the position of WFTU, whose representative at the twenty-second session of ECE in April 1967 had suggested that the establishment of direct and permanent relations between the industries in different branches of the public sector in European and developing countries would open up new prospects for the economic and social development of the various continents and would enable new experience to be acquired in the international division of labour. The trade unions could support the approach to planning outlined in the report of the Committee for Development Planning and, indeed, their support was essential if such an approach was to be effectively applied.

68. The Secretary-General, in his statement, had drawn attention to the suggestion of the Committee for Development Planning that the United Nations might adopt a "charter" for the second Development Decade which would identify certain specific targets. The proposal to fix targets for economic and social magnitudes such as per capita food consumption, standard of health and education, and employment was particularly valuable. The previous year, WFTU had suggested to the Council that minimum levels of per capita food consumption in different conditions should be established. The adoption of those targets for the second Development Decade and the promotion of measures for their achievement would emphasize the fact that the objective of economic development was not the profit of a few but the welfare of all.

The meeting rose at 1.15 p.m.