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President: Mr. MARAMIS (Indonesia)

AGENDA ITEMS 2 AND 3

General discussion of international economic and social policy (E/4776 and Corr.1, E/4833, E/4839, E/4841 and Add.1-2, E/4855, E/4856, E/4866 and Corr.1, E/4872, E/4876) (*continued*)

Second United Nations Development Decade (E/4776 and Corr.1, E/4841 and Add.1-2, E/CN.5/445 and Corr.1) (*continued*)

1. Mr. ANGELOV TODOROV (Observer for the Council for Mutual Economic Assistance), speaking at the invitation of the President, said that the social and economic progress of developing countries depended primarily on their own efforts. Because of colonialism, however, there was still a great deal of poverty and backwardness in those countries. There should be effective international co-operation to help them overcome their difficulties. Peaceful coexistence and international economic co-operation were the only ways to ensure world stability and welfare. All the necessary resources were available for solving the tremendous problems facing mankind. The scientific and technological revolution had opened up magnificent prospects for the growth of productive forces. But those forces must be used for creative purposes rather than for destruction, as they still were in some areas of the world.

2. International co-operation must be universal in order to succeed. It was therefore regrettable that the German Democratic Republic, a highly industrialized country which played a valuable part in CMEA, was still discriminated

against and deprived of the opportunity to work for development in the United Nations.

3. Because of differences in their socio-economic systems, levels of economic development, natural and geographical characteristics, historical conditions and other factors, different countries and regions used different methods for solving problems of economic growth and developing economic co-operation. In CMEA, co-operation was an important factor in the economic growth of member countries and had greatly contributed to their prosperity. By pooling and co-ordinating their efforts in planned economic development through CMEA, member countries promoted the growth of their national economies, the acceleration of economic, scientific and technological progress, industrial advances in the formerly less industrialized countries, and increases in labour productivity and prosperity.

4. During the 1960s the CMEA countries had achieved important economic results through the most efficient use of each country's internal resources and the development of international economic co-operation. The annual rate of growth of *per capita* national income for the period 1960-1969 had averaged 5.4 per cent. Countries formerly less developed, such as Bulgaria and Romania, were developing their economies faster than other CMEA countries. Since it was essentially industrial in character, economic growth in the CMEA countries was influenced by the world scientific and technological revolution. Today, those countries were the fastest-growing industrial area of the world, and their industrial growth rates invariably exceeded those of a number of other developed nations.

5. In the period 1961-1968, the annual increase in the foreign trade turnover of the CMEA area had averaged 8 per cent in current prices. The exports that were increasing fastest among CMEA countries, particularly Bulgaria, Poland and Romania, were those of machinery and equipment. The CMEA countries followed an active policy of expanding trade with all other States on mutually advantageous and equitable terms, irrespective of their socio-economic systems. For the past few years, their trade with developing countries had grown faster than foreign trade as a whole.

6. The preparation of the member countries' economic plans for 1971-1975, which were co-ordinated through CMEA, was now being completed. According to projections, production would rise substantially during that period. The further considerable growth of co-operation between CMEA countries would allow them to increase their output of consumer goods, to carry out important social and economic measures, to raise wages and salaries, to improve working conditions and to undertake large-scale housing construction.

7. An over-all long-term programme for further co-operation and the development of socialist economic integration was now being worked out. It was intended to ensure the further development of an international socialist division of labour and the closest possible co-operation in order to promote the rapid growth of the CMEA countries' economies and standards of living. The programme included measures for developing co-operation in planning and achieving greater co-ordination. It had been decided that interested countries would prepare plans jointly for individual sectors of production; however, the creation of supra-national agencies was not envisaged, and joint planning would be conducted on a voluntary basis of mutual interest.

8. At the recent twenty-fourth session of CMEA the progress of work on the programme had been reviewed and a number of specific measures relating to it had been approved. In addition, a draft agreement had been approved on the establishment of an International Investment Bank, together with its Charter, and it had been decided to establish an International Institute of Economic Problems of the World Socialist System. Considerable attention was devoted in the over-all long term programme to the expansion and institutional improvement of trade between member countries and the more efficient use of financial and currency arrangements and international credits. The implementation of the programme, which would determine the main direction of economic co-operation between CMEA member countries, would increase the rate of growth of productive forces in CMEA countries and raise their productive efficiency and living standards.

9. The further growth of co-operation and socialist economic integration between those countries would continue to be based on the principles of full equality, respect for sovereignty and national interests, mutual benefit and mutual assistance.

10. Mrs. ZAEFFERER de GOYENECHÉ (Argentina) said that the Council should face the future with confidence and optimism. The current session might well mark the birth of a new and re-invigorated Economic and Social Council that would be better equipped to discharge its functions than ever before.

11. As was clear from the *World Economic Survey, 1969* (E/4841 and Add.1-2), there had been a general advance in the economic sphere during the 1960s, although not all of the targets of the First United Nations Development Decade had been reached. In 1968, the developing countries had achieved a 5.5 per cent increase in GDP, thus exceeding the target set for the Decade. But that rate was still not enough to close or even stabilize the gap separating them from the developed countries.

12. The population increase in many areas gave rise to many problems. Further difficulties were caused by the recrudescence of protectionism in developed countries and the developing countries, lack of access to world markets. Food production had risen sharply, but had still been unable to meet increased demand. Despite the fact that 1968 had been an exceptional year for world trade, the

situation of the developing countries had not improved appreciably. Whereas exports from developed countries had risen in that year by 12.4 per cent, those of the developing countries had increased by only 8 per cent. That trend had been evident for more than a decade: the share of the developing countries in world trade had fallen from 21.3 per cent in 1960 to 18.2 per cent in 1968. Latin America was particularly affected by that situation: the increase in Latin American exports in 1968/69 had been less than half the average for the developing countries and less than one third of that of developed countries.

13. The 1960s had seen an over-all improvement in the developing countries' trade position, as compared with the previous decade. That trend should be emphasized so as to encourage international action towards the final achievement of a proper balance. However, despite a certain amount of progress, much remained to be done with regard to the marketing of the developing countries' primary commodities and manufactures. In the sphere of financial co-operation, too, progress had been slow. The volume of financial resources available remained inadequate and appropriate channels for the provision of those resources had not yet been established.

14. A more positive picture emerged in the social sphere. The serious unemployment situation in both the agricultural and industrial sectors had improved somewhat. Measures had been taken to stem migration to the towns and to deal with the new problems resulting from mass resettlement. Wage levels had risen, although not always as fast as prices and the cost of living in general. The wage increases, however, had led to a general inflationary trend, which had affected even the most advanced countries. The result had been financial instability, which in turn had adversely affected economic development. As to housing, although the needs were increasing, there did not seem to be any trend towards allocating a greater share of resources to that sector. Her delegation believed that substantial progress in housing should be a priority target of the Second United Nations Development Decade. There had been encouraging progress in public health, nutrition and education, but the problems in those fields were still far from being solved. They affected vast masses of suffering humanity, and any national or international efforts in the coming years could only be small by comparison.

15. Her delegation would deal with specific issues related to agenda item 2 when they were considered by the committees of the Council.

16. Since Argentina had been an active member of the Preparatory Committee for the United Nations Second Development Decade from the outset, her delegation had little to add to the draft international development strategy contained in paragraph 16 of the report of that Committee on its sixth session.¹ However, it reserved the right to comment on certain paragraphs of the draft strategy when it was discussed in the Economic Committee.

¹ A/7982, transmitted to the Council by a note by the Secretary-General (E/4876).

17. The draft international development strategy, while not without deficiencies and shortcomings, reflected a broad measure of agreement by the members of the Preparatory Committee. The fact that agreement had not been reached on all aspects, while regrettable, should not be regarded as a sign of failure. Negotiations had not been broken off and the few but important areas where agreement had still to be reached could be satisfactorily negotiated early in the forthcoming decade. An unprecedented international awareness of the need to solve the problems of the developing world had emerged, and although many matters still remained to be settled through negotiations, there was no longer any argument as to the substance of the problem.

18. The developed countries must understand the nature of their responsibility to a world whose expectations were becoming increasingly urgent. If they did not respond to the hopes placed in them, frustration and disappointment might lead many peoples to solutions which would be inconsistent with proper respect for human dignity and freedom. But progress was not to be achieved through confrontation; constructive and civilized solutions could only be found through negotiation. If negotiations were to succeed, moreover, it was essential that international public opinion, in developed and developing countries, should be mobilized. In the final analysis, it was the people who determined the broad lines of national policy and gave impetus to the search for adequate solutions. International action might be a valuable component in economic and social development plans, but could never be the prime ingredient. There must be a will, within a country or group of countries, to achieve progress. That will existed in Argentina, where committed national efforts were supported by international, regional and bilateral co-operation in a spirit of mutual advantage and respect.

Mr. Driss (Tunisia), Vice-President, took the Chair.

19. Mr. BIGGAR (Ireland) said that his delegation was in very broad agreement with the views expressed by the Secretary-General at the 1696th meeting. As the Secretary-General had pointed out, the achievement of independence by the colonial peoples was one of the outstanding successes of the United Nations. Ireland had been one of the first countries to be colonized and also one of the first to regain its independence, although unfortunately not in respect of its entire territory. It had always followed with profound sympathy the efforts of other peoples to emerge from the colonial era. Unfortunately, political independence marked the beginning of important economic and social problems, and it was the Council's task to help find solutions to them and, in particular, to ensure that the material and other aid which the richer countries had an obligation to provide to the developing world was employed in the most efficient manner.

20. The Secretary-General had also referred to "armaments schizophrenia", a state of mind which Ireland had managed to avoid. The proportion of its GNP devoted to armaments must be amongst the lowest of any country in the world, and one of the aims of its armed forces was to

provide contingents for the peace-keeping activities of the United Nations. Obviously, the success of those activities was a prerequisite for a reduction in armaments expenditure, which could, in turn, free immense resources for combating poverty and realizing the ideals of economic and social justice and human dignity. The Irish Government firmly hoped that the Second United Nations Development Decade would see the achievement of those ideals, which had been confirmed by also naming it the Disarmament Decade.

21. Aid to developing countries had already reached a substantial level. Ireland, though by no means a rich country, had endeavoured to contribute within the limits of its resources and had every intention of continuing to do so, as could be seen in its Third Programme of Economic and Social Development. Irish manpower had long made a quite disproportionate contribution to world development, and that tradition was now reinforced by governmental support for United Nations assistance programmes in the economic and social fields. The provision of training courses for future administrators from developing countries and the welcome extended to overseas students in Irish universities were two examples of that support.

22. An important question before the Council was agenda item 22 (assistance in cases of natural disaster). His delegation welcomed the initiative already taken by the Secretary-General and his proposal to appoint one of his senior officials to co-ordinate action in that field on a regular basis. The best approach to the problem was not to create a new body, but rather to establish machinery within the existing Secretariat to ensure rapid and co-ordinated intervention by all humanitarian organizations.

23. The level of aid which the developed countries could provide obviously depended on their maintenance of a high rate of economic growth in face of the present threat of inflation. The Irish Government agreed with the view that caution must be exercised in prescribing remedies based on the manipulation of short-term demand. Many inflationary pressures represented the short-term effects of long-term policy and should properly be treated as long-term problems. Otherwise, there was a risk of having to prescribe stagnation or worse as the only cure for inflation.

24. Another problem was that of East-West economic relations. The Council would be well advised to follow the Secretary-General's suggestion that it should take a new look at that question and discover some new programmes for better understanding and co-operation. Ireland had already taken several tentative steps in that direction, and it was to be hoped that the Council's efforts, which it would no doubt wish to direct through its regional economic commissions, would result in further improvements.

25. Mr. PEREZ GUERRERO (Secretary-General, United Nations Conference on Trade and Development) said that, despite the slight improvement in international trade generally in 1969, the downward trend in the developing countries' share of world trade persisted. While the developing countries' rate of export growth — excluding exports of oil — had been higher than in previous years, rising to 8.2

per cent, that of the developed market-economy countries had been 15.1 per cent, and that of those with centrally planned economies, 9.3 per cent. The situation regarding the prices of developing countries' goods had also been uncertain. In addition, signs of slackening in some developed countries' economies, might be reflected in the developing countries' growth rates, and there were grounds for supposing that the world economy and trade as a whole would not grow at the same rate as hitherto. If those trends became more marked, the demand for developing countries' goods would be adversely affected, and so would their balance of payments — a situation that would be further aggravated by the continuing rise in the prices of the goods the developing countries had to import.

26. All those factors seriously hampered the efforts being made by the developing countries and they therefore required some decisive action. Rather than reduce financial aid, as had regrettably sometimes been the case, what should be done was to increase it and thereby strengthen both demand and prices. Though some of the developed countries had given evidence of their good will in that regard, generally speaking the net flow of international financial aid for development had remained static, and in real terms had dropped, because of inflationary and other adverse monetary tendencies in some industrialized countries. The minimum target of 1 per cent of the developed countries' GNP for aid was thus far from being attained. The composition of that aid was also unsatisfactory, the proportion of net public aid having declined. If financial aid were to be rendered more and more through multilateral channels, the terms and conditions of aid would be improved, the aid rendered would be adapted to developing countries' needs, and the suspicion sometimes aroused by bilateral aid would be dispelled.

27. The developed countries had their own problems and priorities, though it was generally recognized that the development of the poor countries was of no less priority. One problem of the developed countries that had recently received much attention was pollution. To resolve it, national and international efforts should be combined, and any new industrial or transport projects should be conceived with the need to preserve the environment as an essential element. That did not mean that resources should be squandered on protecting the environment. They should always be used to the best possible advantage — development, for example, being more important than armaments or space exploration. But the need to solve the environmental problems of the developed countries and to remove the poverty that still existed in those countries should not be underestimated.

28. In the final analysis, the struggle to build a better world and to wipe out inequality everywhere was one which involved all countries alike. There should therefore be a balance between efforts to develop the third world and to resolve the developed countries' domestic problems. Ultimately, if the gap between the two were allowed to remain — let alone grow wider — it could develop into the most serious problem for the developed countries themselves and for the world as a whole. The youth of the

advanced countries had already manifested its awareness of the problems of the deprived peoples.

29. One new advance that would release vast resources and would become increasingly important throughout the Second Development Decade concerned the use of the resources of the sea bed and ocean floor beyond the limits of national jurisdiction. Substantial investment would be required, but the funds required should not be deducted from those available for development. UNCTAD, for its part, would have to co-operate with the other United Nations bodies to ensure that the entry into international trade of such vast new resources did not result in market and price instability.

30. Another stimulus to development would be the proposed link between special drawing rights and financial aid. Realistic and imaginative formulae should be evolved for using the system of special drawing rights as an additional support for development financing, without detriment, however, to its specifically monetary function.

31. Financial aid, to be truly effective, should be combined with positive action to ensure that developing countries' goods had access to markets. At the same time, efforts should be pursued to conclude agreements on primary commodities, and to reduce or eliminate tariff and non-tariff barriers which hampered the growth of developing countries' exports. The general instability in prices of primary commodities persisted, but it was to be hoped that an agreement on cocoa would be concluded at the beginning of the Second Development Decade. He was glad to report that a new International Tin Agreement had been adopted on 15 May 1970 and submitted to Governments for signature.

32. Referring to the draft international development strategy for the Second United Nations Development Decade, he said that the Trade and Development Board would have before it at its next session a paper prepared by the President and himself, in consultation with a number of countries, on maritime transport. That paper, he believed, would help the Board in its consideration of UNCTAD's role during the Second Development Decade. Among other subjects the Board would be considering was UNCTAD's role in regard to the goal of 1 per cent of GNP that developed countries would allocate for aid, and the link between special drawing rights and development financing.

33. The most important initiative since the first session of the United Nations Conference on Trade and Development was the proposal for a system of generalized, non-reciprocal, non-discriminatory preferences in favour of the manufactured and semi-manufactured goods of developing countries. Despite initial opposition and after much discussion, that system had gradually gained recognition as an effective means of rectifying the imbalance between the trade of the industrialized and non-industrialized countries. When the system, which had now reached crystallization point, was implemented, measures would have to be taken, in co-operation with UNIDO, UNDP and the UNCTAD/GATT International Trade Centre, to guarantee its progressive expansion, so that countries starting off with only marginal benefits would profit more and more as the

Second Development Decade went on. UNCTAD had set the launching of the Decade as the target date for the end of the preparatory stage of its work on the system, which was an example of the kind of new and practical idea that would be needed throughout the Decade.

34. A prerequisite for improvement in world trade and development was a rational and steadily evolving division of labour. In that regard, the Second Development Decade offered both a challenge and an opportunity – an opportunity to reduce inequalities to make use of scientific and technological advances, and to take action. The developing countries should renew their efforts to reduce inequalities of income among their own populations and to be more productive and efficient in their economic activities, while the international community, and more particularly the advanced countries, should expand its co-operative action. Without such measures, and close co-ordination with other United Nations organs, and with agencies outside the United Nations system operating in related fields, UNCTAD would not be able to fulfil its mandate.

35. As co-ordination and evaluation were essential for successful development, UNCTAD would review its own activities from that standpoint at regular intervals.

36. It was particularly gratifying that the Council was to review its present structure and functions, which would assume greater importance in relation to the international development strategy and the Second Development Decade.

37. The Second Development Decade would provide the acid test for international co-operation. He trusted that the results would be positive and that the community of nations would emerge strengthened from that test.

38. Mr. BOHIADI (Chad) paid a tribute to the work of the United Nations over the past twenty-five years in promoting international peace and, in particular, decolonization and the economic and social development of developing countries. It was hoped that the era of political independence would be followed, during the next decade, by an age of economic independence.

39. For twenty-five years, the United Nations and its specialized agencies, together with other national and international organizations, had worked for the development of the poorer countries. Unfortunately, however, the financial and technical assistance given by the advanced countries to the poorer countries had only helped their own development, while the efforts of the latter had been nullified by the deterioration in their terms of trade. Although the signs of progress in developing countries were visible in their capitals and large urban centres, the necessary stimulus had not been given to agricultural production. The value of their exports was decreasing, while that of their imports was increasing. The progress made was therefore accompanied by moral, financial or political indebtedness, and the question arose whether economic colonization was not replacing political colonization. Genuine independence could only be achieved when young States reached a stage of development at which they no longer needed assistance.

40. That did not mean that the developed countries should be unjustly indicted, for they had made and were continuing to make great sacrifices. The failure of assistance to the developing countries was perhaps largely due to two factors. In the first place, they were primarily producers of raw materials, especially agricultural produce, and hence stood in the same relation to the developed countries as agriculture stood to industry within a country. In the second place, because they were not highly developed, their production costs were high and they could not be competitive on world markets. They therefore had to increase productivity.

41. The two main means of increasing productivity were, first, raising the level of skills and know-how of the people and, second, investment. The former was assisted by the specialized agencies through training seminars and fellowships, and it was to be hoped that those activities would be expanded still further. Investment was now mainly financed through external support, but the developing countries could only feel genuinely free and independent if their investment projects were increasingly financed from national income. That meant that they must be able to export their products at remunerative prices.

42. That was not possible at the present time, however, owing to the fact that the existing terms of trade and price mechanisms were unfavourable to the developing countries. A plan was therefore needed for stabilizing the prices of the raw materials the third world exported. In addition, as recommended by the Director-General of FAO in his keynote address the Second World Food Congress, held at the Hague from 16 to 30 June 1970, there should be a radical change in Governments' attitudes in three main areas: aid, trade and foreign investment. In regard to aid, the rich countries should make a determined effort to devote 1 per cent of their GNP to development aid: in regard to trade, the rich countries should be more liberal in opening up their markets to the poor countries; and, in regard to foreign investment, the poor countries should guarantee adequate security for such investment, while the rich should undertake to ensure that it led to no infringement of national sovereignty. In that connexion, he quoted a statement made by the President of Chad in 1969 formally guaranteeing security of private investment in his country.

43. Development aid depended on the generosity of the rich countries. But the main effort would have to come from the poor countries, who should ensure that the aid rendered was put to effective use.

44. The regional economic commissions played a very important role in the development process and, thanks to their efforts, the specific problems and needs of the third world had now been recognized. His delegation would therefore like to see those commissions provided with all the necessary means for accomplishing their tasks.

45. The problems of youth were very much to the forefront. He trusted that youth would be allowed to express itself freely, to realize its aspirations and to propose remedies for the injustices it constantly denounced.

46. A form of bilateral co-operation from which Chad had benefited was the provision of volunteers and his delegation therefore supported the proposal for an international corps of volunteers.

47. Lastly, with regard to the Second United Nations Development Decade, he reiterated his delegation's view that the commitments of both the developed and the developing countries should be clear and precise. What counted above all, however, was the political will to put plans into effect and that principle should guide developed and developing countries alike towards a positive result.

Mr. Maramis (Indonesia) resumed the Chair.

48. Mr. HILL (International Chamber of Commerce), speaking at the invitation of the President, said that perhaps one of the most tangible signs of the encouragement ICC had received from the international organizations was the creation in 1969 of the ICC-United Nations, GATT Economic Consultative Committee. At its first meeting that Committee had considered the recommendations of the Commission on International Development (Pearson Commission), in particular with regard to private foreign investment in developing countries. The action taken following the meeting had been both varied and intensive and some of the results had been communicated to interested intergovernmental organizations, while other results would be reported to the second meeting later in the year.

49. The report of the ICC's Committee on Taxation "Tax treaties between developed and developing countries" (E/C.2/709), referred to a number of unsatisfactory features in the tax treatment of foreign income in many countries, and had stressed the need to avoid double taxation and to devise reasonably simple taxation procedures. A further report on tax incentives for foreign investment in developing countries would shortly be completed, while other reports on various matters related to investment and aid were in the course of preparation.

50. The private sector of industry, and in particular the international corporations, were well placed to satisfy developing countries' needs for more technology and managerial and other business skills. Accordingly, the ICC Special Committee on the Transnational Corporation was drawing up a report on the methods used by a representative range of companies in overcoming the obstacles to the transfer and dissemination of their expertise.

51. ICC also co-operated with UNCITRAL, and was much gratified by the confidence that organ displayed in ICC's methods for achieving standardization of commercial and banking practice. Following the third session of UNCITRAL, it had been agreed that any comments Governments had on the ICC Code for Uniform Customs and Practice for Documentary Credits (1962 Revision)² should be communicated to ICC. It had also been suggested that UNCITRAL should be represented at ICC meetings

when the revision of the Code was being considered, and that ICC should be invited to submit the revised Code to a future session of UNCITRAL. ICC hoped to devise improved methods of co-operation with banks and other interested parties in countries where it had no national committees.

52. The ICC Council had endorsed the reports on commodity price stabilization submitted to the last annual meetings of the Boards of Governors of IBRD and IMF. The best means of finding a lasting solution to the problems was to look beyond the need to curb excessive short-term fluctuations in commodity prices and ICC agreed with the IBRD's recommendations in that connexion.

53. In the next few months, ICC would be examining environmental problems in readiness for its Vienna Congress in 1971 and the United Nations Conference on the Human Environment to be held at Stockholm in 1972. Information on the problems involved and the measures being taken to solve them was being collected from sixteen ICC national committees in the developed and developing countries. The aim of the Vienna Congress was to complement national efforts and to determine the role of private enterprise.

54. Liberalization of international trade – an obvious subject for co-operation – would also be discussed at the Vienna Congress, which would have before it a specific programme of action drawn up on the recommendation of the 1969 Istanbul ICC Congress.

55. ICC was paying a considerable amount of attention to the developing countries' problems and its members in Latin America were increasingly active. A first meeting of national committees there had taken place, a second was scheduled and others would certainly follow. In the Asian and Far Eastern region, the Commission on Asian and Far Eastern Affairs, which was established in Bangkok and ensured liaison among the national committees and between them and ECAFE, had held its eighteenth session in February. It had stressed the role of private enterprise in fostering economic development in the region.

56. ICC was well placed to make a growing contribution to the objectives of the United Nations – and that, indeed, was its firm intention.

57. Mr. AMERASINGHE (Ceylon), stressing the positive character of the Council's role, said that economic and social security was the best guarantee of an orderly and peaceful society, both nationally and internationally. Now that the draft international development strategy was being mapped out, the Council's role assumed even greater importance, and no discussion on economic and social policy could exclude consideration of that strategy. Nevertheless, his delegation understood why the USSR had been unable to agree to discuss agenda items 2 and 3 together. It regretted that the countries with centrally planned economies had not been able to participate actively in the work of the Preparatory Committee for the Second United Nations Development Decade, since that would have given a more accurate picture of the existing pattern of international co-operation in economic aid and trade. He

² ICC Brochure 222 (Paris, 1963).

trusted, however, that the present session would see the centrally planned economies once again in the role they had so effectively played in the past as partners in development.

58. The problems of economic and social development — and consequently of the Second Development Decade — were well known, as were the solutions to them. Little point would therefore be served by re-stating either, and it now remained for the international community, and more particularly the developed section of that community, to summon the will to put those solutions into effect. In that connexion, he noted from the report of the Preparatory Committee on its sixth session that agreement had not been reached on the most important points of the draft international strategy. What had been intended as the essence of the draft strategy was still placed in brackets or left blank. The Council must try to remedy that situation before the twenty-fifth session of the General Assembly.

59. Ceylon had faced development problems ever since it had received its first, limited measure of political freedom forty years previously. After its first unhappy experiences with GATT, which had taken no account of the problems of newly independent countries, it had seen the advent of international aid, in the form of bilateral aid and loans from IBRD and IDA, followed by technical assistance of various kinds, and finally by UNDP, with its emphasis on pre-investment surveys. Despite the establishment of all that machinery, however, the Committee on Development Planning at its sixth session had now reported that the net flow of financial resources from the developed to the developing countries had represented a smaller percentage of the GNP of the developed countries in 1968 than in 1967, and that the gap between the developed and the developing was widening (see E/4776 and Corr.1, para. 8). That would not be disturbing in itself if the developing countries had at least attained a level of economic growth which provided reasonable standards of health, nutrition, housing, education and employment for their peoples. The developing countries did not seek the standard of affluence which had been attained by the developed countries.

60. He quoted an extract from a statement he had made at the 1783rd meeting of the General Assembly, in which he had explained why a rise in the GNP of a country was of little value unless an adequate import capacity was maintained, and had welcomed the creation by IMF of special drawing rights as an arrangement which could, with the co-operation of the developed countries, serve to stimulate international trade and economic growth within the developing sector of the world.

61. In the report on its sixth session, the Committee on Development Planning referred to the importance of policies that would help expand the export earnings of developing countries and thereby give them the means of procuring the imports necessary for their development programmes and also of servicing their external debts (*ibid.*, para. 52). Such expansion, which could even be a substitute for aid from abroad, must be sought both in the adoption by developed countries of more liberal policies to encourage the flow of goods from the developing countries, and in the stabilization of prices for the developing

countries' traditional exports. If only some of the policies adopted within the national economy could be applied to international economic relations, many ills could be cured. One such policy was guaranteed prices for agricultural products, and it should be applied especially to commodities the price of which was consistently declining and on which many developing countries were heavily dependent for their export earnings. The difficulties of most developing countries were due mainly to falling export prices and rising import costs owing to inflation in the developed countries. Tea was one commodity for which agreement on price stabilization at a fair and remunerative level was urgently needed. His delegation attached especial importance to price stabilization measures because it believed more in trade than in aid. It endorsed the suggestion (*ibid.*, para. 54) that a fitting follow-up to the Kennedy Round would be a further liberalization of imports with particular reference to goods from developing countries.

62. It was unfortunate but true that one developing country's meat could be another developing country's poison. For example, one international institution had made finance available for new tea plantings, just when tea prices were steadily falling, and at the same time had advised traditional tea producers to diversify into some other product, a process which might prove perilous if not altogether impracticable for them. Ceylon did not begrudge the new tea producers the aid they had received, but doubted whether they would derive any benefit from it. Similarly, diversification from coconut production to palm oil production would only cause further depression in the coconut industry. He wished to stress the need for sound co-ordination, regional co-operation and agreement on a proper international division of labour in both agriculture and industry. The Council, by constantly reviewing and co-ordinating the activities of the national and international bodies concerned, including the specialized agencies, could help to safeguard the interests of all.

63. With regard to the reference in paragraph 37 of the draft international development strategy to schemes for regional and sub-regional integration or measures of trade expansion among the developing countries, he suggested that one form of collaboration which could give a special impulse to the exchange of services on a regional scale would be a payment union on the lines of the European Payments Union, which had made a signal contribution to Europe's economic recovery in the post-war period.

64. Noting the reference in the report of the Committee for Development Planning to the need to consider the establishment of a world pool of finance for economic development drawing upon revenues from the exploitation of resources of the sea bed and the ocean floor and from other sources (*ibid.*, para. 70), he commented that a study would have to be made of the extent and value of such resources and their marketability. UNCTAD would play an important role in any undertakings of that kind.

65. Contemporary society was facing a new challenge from youth, and the validity of youthful protest was recognized in the draft international development strategy

for the Second Development Decade. Youthful energy and idealism must be conserved and harnessed in the service of economic and social development by providing opportunities for young people to participate in development projects.

66. The core of the draft international development strategy lay in the targets it set up for the transfer of resources by the developed to the developing countries. Uncertainty in regard to economic prospects was an insuperable obstacle to rational planning; that was why the developing countries must secure from the developed countries a firm commitment to achieve by a given date the aid target of 1 per cent of their annual GNP. They could not afford to fail because the price of failure in terms of lost opportunity, blighted hopes and social turmoil would be incalculable.

67. Mr. QUINTANA (Executive Secretary, Economic Commission for Latin America) said that 1969 had seen a strengthening of the favourable economic trend in Latin America which had begun in 1968; the increase in domestic production had risen from 6 per cent to 6.4 per cent. That trend had been closely linked to a rise in export earnings and a sustained flow of external financing. The increase in exports in 1969 had been 6.5 per cent by volume and 10 per cent by value, although some countries had had little or no share in it. In imports there had been a recovery in general over the region during the past two years compared with the very slow growth of previous years, but the average annual growth for the period 1960-1969 was still only 5.2 per cent. That figure represented even less progress if the high rate of population growth in Latin America was taken into account: the *per capita* product had increased by only 2.2 per cent per annum. Precisely the countries with the highest rate of over-all growth tended also to have the highest rate of population increase, the least advanced economies and serious problems of unemployment and low productivity.

68. It was natural to study those recent trends with a view to determining the potential growth capacity of the Latin American countries, particularly in relation to the programmes of action to be undertaken in the Second United Nations Development Decade. Such a study showed that by enabling the Latin American countries to participate more actively in foreign trade it was possible to increase their absorption capacity and stimulate their economies. That was an important point, because it indicated that if action could be taken in the Second Development Decade to increase the export earnings of those countries, a serious obstacle to their development would be overcome. Erratic growth was often attributable to fluctuations in export earnings caused by external factors. All studies on the long-term prospects for traditional Latin American export products had shown that unless policies were changed, especially the restrictive and protective import policies of the industrialized countries, the Latin American countries would be unable to improve upon or even maintain their past rates of growth. Moreover, despite increases in export earnings Latin America was still gradually losing its share in world trade, and owing to the rising prices of manufactured

goods its trade position was still poor. The terms of trade for the region as a whole had declined by 20 per cent since the first half of the 1950s, although a few countries whose main exports were mineral products had done better.

69. Increases in inflows of foreign capital had been largely offset by the rising cost of debt-servicing, which, moreover, had a serious effect on the balance-of-payments position. That in turn naturally reduced the resources available within the country for capital investment. The developing countries were fully justified in insisting that the programme for the Second Development Decade should include specific objectives for financial co-operation, particularly with respect to the terms of loans and the need to alleviate the critical financing situation through the re-scheduling and refinancing of debts.

70. A rate of growth appreciably higher than 5.2 per cent was needed in all Latin American countries, so that more productive use might be made of human resources and the present wretched living conditions of the majority of the population might be improved. If the growth rate did not increase substantially, the problems of unemployment and underemployment, with the adverse economic and social effects they entailed, would become worse. It was estimated that in the region as a whole 40 per cent of the total active population was unemployed or engaged in low-productivity work or the performance of non-essential services, and that the proportion of the totally unemployed might be as high as 10 per cent. Those figures, approximate though they were, offered valuable guidance as to the aims which Latin America should pursue in the Second Development Decade. If, in years to come, employment rose by only 2.5 per cent per annum while the active population, which would tend to grow more rapidly than in the past, rose by 3 per cent per annum, then the already tense social situation would become explosive. It was therefore essential that employment opportunities should expand more quickly than the active population and that wages should be high enough to produce better living conditions. ECLA and the Latin American Institute for Economic and Social Planning had carried out numerous studies on more satisfactory growth targets and their implications in terms of the mobilization of human resources and the need for export sales and external financial co-operation. The Preparatory Committee had rightly stated that an average annual growth rate of 6 per cent must be a minimum target, to be reviewed mid-way through the Decade, and that the developing countries should establish their own goals.

71. To accelerate economic growth and achieve specific social objectives, a considerable rise in investment would obviously be needed. A 7 per cent growth rate, for example, would require an increase in the present investment factor from 18 per cent to about 23 per cent. To achieve that, the developing countries would have to take the necessary steps to improve capital productivity and increase national savings, and, especially in the first transitional stage, more external financial co-operation on suitable terms would be needed. There was a considerable reserve of potential savings in Latin America in the form of the high incomes enjoyed by certain small sections of the

population; those resources could be used for profitable investments which would give rise to higher production and employment.

72. Two principles must be stressed. The first was that the Latin American countries must, as a matter of policy, treat foreign loans and aid as supplements to, and not as substitutes for, their own potential national resources. The second was that they could not hope to mobilize those resources unless international co-operation made it possible for them to expand their exports, improve their terms of trade and reduce their burden of debt-servicing.

73. Another, related problem, calling for co-ordinated national policies, was that of technical progress. In Latin America relatively modern enterprises employing a small proportion of the labour force existed alongside old-fashioned, low-productivity occupations which accounted for the majority of the working population; there were thus great variations in income between different socio-economic sectors and different regions within the same country. Development certainly required modernization, but modernization in the developing countries tended to reduce employment opportunities and benefit chiefly the upper and middle sections of society. Furthermore, technical progress mostly came in the form of products, production techniques and capital goods from the developed countries. The developing countries must therefore adopt a policy of research into applied sciences and production techniques which would meet their own particular needs. Since in science and technology they were heavily dependent on the developed countries, they could not carry out such measures without the planned co-operation of those countries. Accordingly it was most important that the strategy for the Second United Nations Development Decade should include proposals and targets designed to ensure that scientific and technological knowledge could be freely transferred to the developing countries and absorbed by them in such a way as to stimulate their rapid development.

**Request for the inclusion of an additional item
in the agenda of the forty-ninth session (E/4895)**

74. Mr. FAKHREDDINE (Sudan) said that the delegations of Bulgaria, Sudan and Tunisia had addressed to the

President of the Council a *note verbale* (E/4895) requesting the inclusion in the Council's agenda of an additional item concerning relief for the people of the Yemen Arab Republic, who were the victims of a devastating famine. The people of Yemen were hard-working and their country had once been prosperous, but in recent years it had suffered from civil strife, which had seriously affected its economy. Then also for several years there had been almost no rain in the northern part of the country, and the resulting drought had caused alarming shortages of food and water. In a letter to the Secretary-General dated 15 June 1970, the Prime Minister of the Yemen Arab Republic had declared his Government's inability to remedy the situation, even with the assistance of United Nations agencies, friendly States and international charitable organizations, and had appealed for swift action to save the lives of thousands of people. The delegations of Bulgaria, Sudan and Tunisia asked the Council to give the matter its urgent attention, and were sure it would do so with the same sense of duty that it had shown in the case of the Peruvian disaster. They suggested that the item be considered in the plenary.

75. Mr. TODOROV (Bulgaria) said that his own country knew from experience how severely a persistent drought could affect the economy. The drought in the Yemen Arab Republic, where the population was threatened by famine, was truly disastrous. He hoped that the Council would be able to accept the request of the Bulgarian, Sudanese and Tunisian delegations to place the proposed new item on the agenda as an urgent question, and appealed to members and to the President to give it a high priority.

76. Mr. ALZAMORA TRAVERSO (Peru) said that his delegation had received great support in its own misfortune and accordingly wished to endorse the request of the Bulgarian, Sudanese and Tunisian delegations.

77. The PRESIDENT suggested that the Council should agree to include the item entitled "Measures to be taken for famine relief in the Yemen Arab Republic" in the agenda for its forty-ninth session, and to consider it in plenary the following week.

It was so decided.

The meeting rose at 6.20 p.m.