



ECONOMIC AND SOCIAL COUNCIL

Monday, 21 July 1969

FORTY-SEVENTH SESSION

at 3 p.m.

OFFICIAL RECORDS

PALAIS DES NATIONS, GENEVA

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President: Mr. SCHEYVEN (Belgium).

AGENDA ITEM 2

General discussion of international economic and social policy (E/4638, E/4674, E/4679, E/4687 and Add.1-3, E/4688, E/4695, E/4701; E/CN.11/878; E/CN.12/825 and Add.1; E/CN.14/435; E/ECE/741) (*concluded*)

1. Mr. MORSE (Director-General, International Labour Office) observed that the Secretary-General, in his address to the Council, which had been read out at the 1603rd meeting, had called for a broad approach to the concept of development, while the ACC statement on the Second Development Decade (E/4718) emphasized the social elements which should form an integral part of development strategy. However, at a number of recent international meetings it had been asked whether the setting of social objectives for development might not hinder economic growth, and whether such a risk should be taken precisely when economic growth was needed to support the cost of social progress.

2. The International Labour Conference, at its fifty-third session, in June 1969—on the occasion of its fiftieth anniversary—had instructed him to do all in his power to ensure that the Second United Nations Development Decade led to more significant social progress and a more equitable distribution of the fruits of development, through a development strategy which included the goal of significantly higher levels of employment. Unemployment was wasteful in economic and human terms, and could be politically destructive; it had been one of the underlying causes of the Second World War. The main long-range threat to world peace today lurked in the developing regions of the world, where peasants, landless agricultural workers, young people with neither jobs nor skills and the inhabitants of urban slums cherished new aspirations, partly as a result of increased exposure to the affluence surrounding them. A fuller and more productive life could be brought within the grasp of the great ma-

majority of the world's population, but efforts during the past decade had brought no perceptible improvement in their incomes or levels of living. The employment gap had widened, and it might well continue to do so, for in the next ten years some 226 million people would be added to the labour force of the developing countries.

3. Social unrest was not the only problem to consider. Economic growth without increased employment brought no benefit to the majority of the population in the developing countries, who therefore felt little commitment to the success of development efforts. Wider opportunities for earning from productive employment would increase and spread purchasing power, and thus lead to the creation of the mass markets essential to development.

4. It had been assumed that rapid development and the promotion of employment were mutually exclusive; yet Sweden and Japan, neither well endowed with natural resources, had both demonstrated rapid and steady economic growth accompanied, as a central element, by virtually full employment. Rapid growth involved changes in production methods, job content and employment structure. If job opportunities were enhanced through an employment and retraining policy in the developing countries, resistance to such changes would be reduced. The number of jobs must therefore be multiplied, with emphasis on the creation of productive employment. An abundant labour supply was a potential asset instead of a liability, but imagination, organization and determined leadership were needed to use it. The capital cost need not be high. The aim was to enable industrial workers, farmers and artisans to produce more with the means at their disposal; that required motivation as well as training. The hard work necessary would be performed only if the rewards were both visible and reasonable, and the workers' efforts must be organized by a comparable effort on the part of the managers of public and private production.

5. Some sectors relied upon capital-intensive methods of production which might reduce the number of jobs available. Developing countries with a surplus of labour and a shortage of capital should concentrate production and investment in those sectors of industry and agriculture where modern production techniques were more labour-intensive. A country which confined capital-intensive techniques to uses in which they were cheaper and more efficient than other techniques could save capital to use in providing more employment. There was ample scope for developing countries to produce, by relatively labour-intensive methods, goods competitive in quality and cost

with those of the most advanced industrialized countries. The first Development Decade had demonstrated that economic growth alone, even if accelerated, could not absorb the rapidly growing labour force of the developing countries unless the patterns of production were adapted to the relative abundance of labour and scarcity of capital prevailing in the developing countries. With simple tools and implements which could easily be produced locally, efficient organization of work, effective training and re-training and an adequate diet, labour-intensive manual methods could often be made as efficient as capital-intensive methods. Further efforts should be made to develop techniques which were modern in their efficiency but which absorbed more labour and less capital than the methods applied in the industrialized countries. The search for such techniques would offer scope for co-operation between developing and industrialized countries.

6. It was possible that at a certain stage a country might have to choose between faster economic growth and faster creation of employment, but the vast majority of developing countries would not reach that stage for many years. In the interim, a higher rate of investment and better utilization and more rational distribution of capital resources would contribute both to faster growth and to fuller employment. However, the task was difficult; it necessitated a revolution in current thinking on employment and production, and the systematic improvement of methods. Such were the aims of the World Employment Programme, which would be the ILO's major contribution to the Second Development Decade. The programme would not create jobs, nor would it produce an abstract system for resolving the world's employment problem. It would, however, help Governments to assess the nature and magnitude of their employment problems and to train manpower, leaving to them the task of directing their policy regarding investment, rural and industrial development, and education and training towards the expansion of employment opportunities. At the international level, the ILO would require the assistance of the United Nations system and of organizations outside the system in attaining its objectives. The ILO was grateful for the support already made available by UNESCO, UNDP, FAO, IDB, ECLA and OAS for the regional components of the World Employment Programme. For the programme to be successful, it must be closely linked to other components of the collective efforts to be made by the United Nations family during the Second Development Decade—which, in its turn, would not be a complete success unless very significant progress was made in employment. The question of substantive co-ordination within the United Nations family should be dealt with at the stage of preparation for the decade.

7. The problem of employment was first among the ILO's concerns, but a number of other items before the Council, including population, youth, the human environment, industrial development, and science and technology, were also discussed in the ILO report (E/4655 and Add.1)

and could if necessary be enlarged upon by ILO representatives during the Council's discussions.

8. Mr. SANTA CRUZ (Observer for Chile), speaking under rule 75 of the rules of procedure, said that more than one-half of the world's population was living in conditions far below the minimum at which the human personality could reach its full development. Man still exploited man in many areas; violence constantly erupted between and within nations; and the world had not succeeded in adjusting its formulae for political and social co-existence to the new realities created by modern science and technology. It was the Council's responsibility to create conditions in which peoples could live together in peace, friendship and respect for human rights. The current discussion had so far been disappointing; instead of going thoroughly into the problems of development—the most vast and most pressing problems of mankind today—it had largely been devoted to marginal aspects of development and had produced no solutions of any real significance. It suggested that the Council was abandoning its historic responsibilities and becoming obsolete.

9. Never before had the Council received such comprehensive documentation on the economic realities of the world, or a more valuable set of ideas for resolving the development problem. The developing countries had proposed a series of solutions to crucial problems, and in particular for the removal of the external obstacles to their faster growth. Those solutions had the endorsement of the regional economic commissions and of the secretariats of UNCTAD, FAO, UNESCO, the ILO, WHO and IBRD. The developed countries had not openly opposed those solutions, although they had questioned their timeliness and the methods of applying them. Yet the debate on international policy had not analysed those solutions in depth and no dialogue had been established, at any rate with the countries which carried the greatest weight in world economic decisions, controlled the greater part of the world's technological and financial resources and dominated international trade. There was no indication that those countries possessed the political will for a great co-operative effort to tackle the development problem with the determination and the volume of resources required. The only exceptions were the statements made by the representatives of certain countries of medium economic strength, for example by the representatives of Belgium (1609th meeting) and Norway (1607th meeting), and that made by the French representative (1609th meeting), who had recognized the gravity of the situation of the developing countries and the inadequacy of international co-operation to improve it, and who had announced the readiness of his country to participate in important financial and commercial measures along the lines proposed by those countries.

10. The developing countries had repeatedly acknowledged their responsibility for their own development, while pointing out that they needed international co-operation in making full use of their domestic resources.

They had asked for a fairer international division of labour and, to that end, for a drastic reconstruction of commercial, economic and financial relations. The countries of Latin America, at a meeting of the *Ad Hoc* Committee on Latin American Co-ordination held in Viña del Mar in May 1969, had pointed out that, in the course of the current decade, the economic, scientific and technological gap between the developed and the developing countries had continued to widen, while external obstacles to the rapid economic growth of the Latin American countries had increased. Those obstacles included tariff and non-tariff barriers which denied fair access to the major world markets for the developing countries' commodities, manufactures and semi-manufactures; a steady decline in the volume, terms and methods of international financial aid, the effect of which was virtually nullified by the burden of debt servicing; the troubles of the international monetary system; shipping conditions; and difficulties in transferring modern technology to the countries of the region. The Latin American countries had called for the adoption of practical measures to remove those obstacles.

11. In his statement at the 1604th meeting, the United States representative had expressed some sound general principles but had never mentioned international trade. He had not said how his country proposed to open its markets to the products of the developing countries, or help them to transport those products more cheaply; how modern science and technology should be transferred to those countries; how their interests would be taken into account in modifying the international monetary system; or whether his country was prepared to accept, in the near future, the recommendations of the United Nations Conference on Trade and Development on the volume, methods and terms of financial aid. The United Kingdom representative had touched (1610th meeting) on a series of most interesting topics but had not said whether his country, in conjunction with its partners in OECD, was willing to adopt practical and effective measures to remove the external obstacles to development. The USSR representative had given no indication in his statement (1610th meeting) that his country had abandoned the unconvincing thesis that it could not contribute to financing the development of the developing countries because, never having been a colonial Power, it was not responsible for their condition. That representative's statement threw no light on his country's contribution to the transfer of technology, and gave no details concerning the application of the general preferences which the USSR had accepted in principle.

12. The representatives of both the United States and the United Kingdom had said that the developed and the developing countries should together seek to understand the needs and possibilities of the world and agree upon solutions. Both had mentioned the danger of confrontation between the countries of the northern and southern hemispheres, and had emphasized the need for a rational discussion between the two halves of the world

to find solutions in their common interest. The absence of understanding and of any genuine dialogue between the developed and the developing countries arose from the vast difference in outlook, the sense of urgency, and the nature of the problems faced in the two groups of countries. The developed countries seemed to have no conception of the sense of rebellion and frustration felt by the peoples of Asia, Africa and Latin America at the existing state of affairs.

13. It was true that some progress had been made in the developing countries during the past decade. The rate of growth of gross national product had increased from 4.7 to 5.4 per cent between 1967 and 1968, but not in all the developing countries, and the population of those countries was increasing by about 3 per cent per annum. The rate of progress was insufficient both in absolute terms and in comparison with that of the developed countries. According to the figures before the Council, it would take the majority of developing countries fifty years to reach a satisfactory level of development, while some of them would need more than a century.

14. It was also true that international co-operation had achieved much in the last twenty-five years, especially through technical assistance. The organizations of the United Nations family were instruments of great potential value. However, their resources were limited and many of them had developed into centralized bureaucracies out of touch with the economic, social and historical realities of the developing countries. Unfortunately, their centralization had been supported by the major contributing countries, and every move in the opposite direction entailed a long struggle by the developing countries, although experience had shown that the most creative ideas came from the regional economic commissions and the regional services of the specialized agencies. Moreover, any increase in the budget for new programmes or field services was strongly resisted, although the appropriations for administration and control constantly increased. There was a clear tendency to divert resources to voluntary programmes and to freeze regular budgets.

15. The international machinery for development existed but needed improvement. First, it should be decentralized. The developing countries should be given a bigger share in the formation of policy in the United Nations family of organizations. More needed to be known about conditions in the countries receiving aid. Again, the organizations should be given operational resources commensurate with the needs of those countries and with the means of the contributor countries. Co-ordination needed to be improved, but was no substitute for effective action in the field; it must be of such a nature as to leave each organization free to make statutory use of its technical capacity without outside interference. The Council had a necessary co-ordinating function, but its first duty was to act creatively and to provide guidance.

16. The programme for the Second Development Decade must not be a mere catalogue of possible measures or a vague statement of intent. It must be a commitment by all members of the international community to co-operation in applying a set of policies and practical measures which would genuinely transform the current state of affairs, which included a time-table, and which could be adapted to changing conditions. Just as the international community had made legal commitments to defend and promote human rights, so it should commit itself to promoting development, as the signatories of the Charter had pledged themselves to do in Article 56. That commitment should include the removal of the external obstacles identified by the Latin American countries at Viña del Mar, not as a target for the end of the Second Development Decade, but for action in 1969. There were grounds for hope that access to central markets for the manufactures and semi-manufactures of the developing countries through a generalized scheme of non-discriminatory, non-reciprocal preferences would be a reality before the Second Development Decade began. That would increase the capacity of the developing countries to import capital goods and would thus stimulate their industrialization.

17. He unreservedly supported the India representative's remarks (1608th meeting) concerning the problem and challenge of science and technology. The development of technology in the developing countries should be given absolute priority; genuine scientific and technical co-operation entailed the transfer of science and technology on favourable terms and in forms suited to the requirements of those countries.

18. Decisions should be taken without further delay to increase the volume of external financing for development to a minimum of 1 per cent of the gross national product of the contributing countries, and the terms and conditions of aid needed drastic modification. A positive feature was the abandonment of the "additionality" clause by the United States in making loans to Latin America. Transfers of capital to the developing countries had for many years been concentrated on private investment in mining. Aid from public sources barely covered the developing countries' outlay on debt servicing. The Latin American countries had declared at Viña del Mar that private investment should not be regarded as aid. The general belief that Latin America was receiving financial aid was disproved by the figures, which showed that it was helping to finance the development of the United States and other industrial countries. Private investment in Latin America meant in practice that much larger sums were withdrawn from that continent than were invested in it. The profits on the invested capital grew and multiplied enormously, but did so abroad. When the necessary changes were made in the international monetary system, the requirements of development should be taken into account and the developing countries should participate in the discussion.

19. The landing on the moon was the result of a combination of technical skill with a firm political will, massive financial support and excellent organization. Development was more important than the conquest of space and should be tackled with at least equal determination. The Council, which had the duty of directing international co-operation in the economic and social fields, should meet that challenge. As the President of Chile had stated at the opening of the Viña del Mar meeting, neither words nor good intentions were the answer. The peoples, and especially young people, needed tasks which would give purpose to their lives. Firm and irreversible political decisions were required. There could be no peace while vast communities were beset by poverty, ignorance and lack of purpose.

20. Mr. POPOV (Bulgaria) welcomed the expansion of United Nations activity in the economic and social fields; the large number of organs and organizations engaged in such activity demonstrated the importance attached by the United Nations to economic and social problems. However, there was a tendency for some of those organs and organizations to supplant the Council in matters within its exclusive competence; on the eve of the Second Development Decade, it was vital that the Council's responsibilities in the formulation of United Nations economic and social policy should not be underestimated.

21. The most useful statements made in the current discussion were those which approached the Council's problems realistically; he had in mind, in particular, the statement made by the USSR representative. The problems of development, and more particularly the problem of economic and social backwardness, must be resolved in conjunction with the general problems of the world economy. Favourable conditions for the accelerated progress of the developing countries could not be established unless optimum conditions were created for the development of the world economy as a whole; that would require the full participation of all countries in a just international division of labour, the removal of the existing discriminatory obstacles to development, and the elimination of the privileged position occupied by a small group of developed capitalist countries.

22. Bulgaria had first-hand knowledge of the aspiration to overcome economic backwardness and took a keen interest in problems of international economic co-operation and of development. The main tasks of his Government over the past twenty-five years had been to speed up industrialization, to mechanize agriculture and to train skilled manpower in all branches of the economy, science and technology. Economic backwardness had been eliminated, and there had been decisive advances in modern industrial and scientific development. Those achievements were due to the people's own efforts, to the mobilization of domestic resources, and to the co-operation of the countries members of CMEA.

23. Before the Second World War, Bulgaria's economy had resembled that of many countries just embarking on independent development. Industry had accounted for only 15 per cent of the national income; agriculture—then four times as important as a source of national income—had been primitive and low in labour productivity. It might encourage some developing countries to learn that, over the past twenty-five years, the volume of industrial production in Bulgaria had increased thirtyfold and agricultural production had doubled. A vital factor in the country's progress was mechanical engineering, which now accounted for one-quarter of Bulgaria's industrial output.

24. Industrialization and the socialist reconstruction of agriculture on a co-operative basis had transformed the pattern of employment and made for a more rational use of labour resources. Out of a population of 8.3 million, almost 470,000 had received higher or secondary specialized education. There were now ninety-six students per 10,000 inhabitants, as compared with sixteen in 1939; engineering students accounted for 43 per cent of the total. Great stress was laid on the development of science; there were 139 research institutes. It was clear that the reference in the Secretary-General's report on International Education Year (E/4707 and Corr.1, para. 46), to the world crises in education did not apply to Bulgaria.

25. The attention paid in the discussion to the problems of youth was fully justified. However, a number of speakers appeared to fear that future generations would reject what was now being done and the standards of behaviour and ideals now being inculcated into young people. In that connexion he would merely point out that youth had always been in the forefront of the struggle for progress, social justice, international co-operation and peace. Young people were rightly demanding consideration in the solution of current problems, and full participation in the political, economic and social life of their countries and of the international community. His delegation supported the view that the Council should request the Commission for Social Development and the Commission on Human Rights to prepare a text on the rights of youth.

26. Development planning in the broadest sense of the term was now of great significance. The achievements in Bulgaria which he had described were largely ascribable to the adoption of planning as a basic principle of development. In recent years that principle had gained increasing recognition in United Nations documents. However, it was important to proceed on the basis of a unified over-all social and economic plan covering problems of education, health, social security, population and the like, as well as economic questions.

27. In connexion with the Second Development Decade, a number of delegations had referred to the paradoxical situation presented by, on the one hand, mankind's achievements in science and technology and, on the other hand, the difficulties encountered by some developing

countries in overcoming malnutrition, disease, ignorance and poverty. He saw nothing paradoxical in that situation. The backwardness of such countries was all too plainly due to centuries of exploitation by metropolitan Powers. The only solution was to wipe out the shameful heritage of the colonial era as quickly as possible. The international community must make every effort to protect the interests of the developing countries from economic dependence. In that connexion his delegation had listened with particular interest to the statements made by the representatives of the Congo (Brazzaville) (1610th meeting) and the United Republic of Tanzania (1612th meeting).

28. UNCTAD could make a more effective contribution to the Second Development Decade if certain points were borne in mind when the programme for action on international trade was prepared. First, all countries should do their utmost to give effect to the resolutions, recommendations and decisions already adopted by the United Nations Conference on Trade and Development. Secondly, practical results were unlikely to be achieved unless all countries applied the basic principles adopted at the first session of the Conference¹ and embodying its long-term objectives. Thirdly, the objectives of the Second Development Decade for international economic co-operation could be achieved only by putting international trade on a normal footing and removing all the obstacles erected by the developed capitalist countries and their economic groupings. Bulgaria's export earnings in 1968 had paid for only 92 per cent of its imports, not only because of the bad harvest, but largely because of discrimination by the EEC countries against its agricultural products.

29. ECE was making a fine contribution to the development of economic, scientific and technical co-operation among its member countries. He believed that the European conference on security and co-operation proposed by the Warsaw Treaty countries would help to create a favourable climate for extensive and mutually advantageous co-operation among all European countries, including those with different economic and social systems. An early solution must be found to the question of participation by the German Democratic Republic in the work of international economic and social organizations, including EEC. His delegation had requested that a letter from the Minister for Foreign Affairs of that country should be circulated as a document of the Council's forty-seventh session (see E/L.1263).

30. One of the Council's major tasks was to make a thorough study of the problems involved in transferring scientific and technical knowledge to developing countries, where such knowledge had a crucial role to play in development. Much emphasis had lately been placed on the so-called population explosion as an alleged danger to economic development. In his delegation's view, the

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), p. 18.

danger had been exaggerated. Moreover, a reduction in population or in the birth rate would not resolve the pressing social and economic problems of the developing countries. Material and psychological motivation for lower birth rates in developing countries would entail discarding outmoded attitudes and applying drastic social and economic reforms. It was certainly necessary to influence population trends in regions of excessive population growth, but each country must decide for itself what prominence to give to demographic measures in its overall economic policy.

31. It had been rightly said that the success of any international action in the economic and social field depended on the political will of Governments; more specifically, it depended on the principles underlying their foreign policy. Those principles could only be the preservation of peace and peaceful co-operation among nations, in accordance with the Charter. International decisions were meaningless unless favourable conditions were created for their implementation. A few days of war could wipe out the efforts of a decade. At a recent conference of communist parties in Moscow, the socialist countries had voiced their determination to establish and maintain relations with other countries on the basis of peaceful co-existence among all States, irrespective of their social and economic structure. That policy had proved successful in the Balkans, and Bulgaria would make every effort to co-operate with all countries on the basis of mutual advantage, understanding and friendship.

32. Mr. AHMED (Sudan) observed that the Council's main tasks were to eliminate poverty, improve the quality of life and foster social justice. Progress in those endeavours would in turn help to reduce political tensions. However, the decentralized character of the United Nations system made co-ordination essential. Although many of the organizations in the system enjoyed independent or semi-independent status and drew up their own programmes, they all recognized the advantages of avoiding waste and duplication and of co-operating to attain common objectives. No field of activity could rightly be regarded as the exclusive preserve of a particular agency, for there was a large measure of interdependence. Co-ordination should therefore be a major feature of the Second Development Decade and should be applied at the regional and national levels as well as at the international level. Developing countries should make co-ordination an important element of their development effort; their plans and policies should be related to regional and international plans, and their sectoral growth rates should be geared to over-all growth targets.

33. The first Development Decade had not been a failure; too much had been expected of an experimental undertaking. It had provided useful experience and prepared the way for the Second Development Decade, which would have a better chance of full-scale success. There was now a better understanding of programmes and policies; the preparations would be more adequate and

imaginative; the developing countries were psychologically better prepared to discharge their responsibilities and effect the necessary reforms; and international action was more effectively concentrated and based on more adequate machinery geared to development needs. He regretted that the socialist countries were not participating in the work of the Committee for Development Planning and the Preparatory Committee for the Second United Nations Development Decade. He understood their reasons for not participating, but hoped that an amicable solution would be found, since those countries could make a useful contribution.

34. Mr. RODRÍGUEZ LARRETA (Uruguay) said that, for the developing countries, especially those of Latin America, the past decade had been one of frustration. The economic gap between developed and developing countries had widened and the hopes of the latter had not been fulfilled. As the observer for Chile had already mentioned, the *Ad Hoc* Committee on Latin American Co-ordination, at its meeting in May 1969, had issued a declaration setting forth the objectives and aspirations of the Latin American countries and proposing forms of international co-operation which could help to close the economic gap. The meeting had recognized that the primary responsibility for action rested with the developing countries, and that foreign assistance played only a complementary role. It was now generally acknowledged that trade expansion was the most appropriate means of enabling the developing countries to make economic progress. However, those countries had not gained appreciably freer access to world markets since the first session of the United Nations Conference on Trade and Development, and the tariff and non-tariff restrictions on primary commodities remained virtually unchanged. Negotiations on the subject in GATT had not been particularly successful. Discriminatory zonal preference systems, for instance, were particularly unfavourable to Latin American countries. Another obstacle to the expansion of their export trade was the diversity of regulations governing imports of foodstuffs in different markets. For example, Uruguay's meat exports faced widely differing health requirements. Standardization of such requirements would make it easier for exporting countries to comply with them.

35. Foreign financial assistance to developing countries had also failed to reach the target fixed for the first Development Decade and was running far short of the 1 per cent of the developed countries' gross national product recommended by the United Nations Conference on Trade and Development in its decision 27 (II).² Latin American countries had obtained only 10 per cent of their over-all financial requirements from foreign sources, whereas in April 1967 the Punta del Este conference had set a target of 20 per cent. Foreign debt servicing by Latin American countries in fact exceeded the inflow of financial assistance. Those countries would support any

² *Ibid.*, Second Session, vol. I: Report and Annexes (United Nations publication, Sales No.: E.68.II.D.14), p. 38.

proposal designed to ease their debt repayment difficulties. He welcomed the IMF decision to contribute to commodity price stabilization by helping to finance buffer stocks.

36. He noted with regret the growing tendency for bilateral assistance to be tied to specific purchases from the donor country; that practice often obliged the recipient country either to buy goods at prices higher than those it would have to pay if it were free to choose its supplier, or to change its foreign trade pattern to the detriment of

its traditional suppliers. Uruguay believed in constructive negotiation as a means of resolving problems of trade and assistance. It was a firm believer in international co-operative action, and participated in regional co-operation. Developing countries could nevertheless achieve a great deal by their own efforts. His Government had recently managed to check serious inflation by adopting a new policy on prices and incomes without sacrificing the levels of living of its people.

The meeting rose at 5.30 p.m.