



## ECONOMIC AND SOCIAL COUNCIL

Thirty-second session

OFFICIAL RECORDS

1158th meeting

Monday, 10 July 1961  
at 3.15 p.m.

PALAIS DES NATIONS, GENEVA

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and financing of economic developmentGeneral debate (*continued*) . . . . . 41*President* : Mr. Foss SHANAHAN (New Zealand).*Present* :

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Denmark, El Salvador, Ethiopia, France, Italy, Japan, Jordan, New Zealand, Poland, Spain, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela.

Observers for the following Member States: Australia, Belgium, Czechoslovakia, Greece, Hungary, Indonesia, Ireland, Netherlands, Peru, Portugal, Romania, Tunisia, United Arab Republic, Yugoslavia.

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

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 Civil Aviation Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

The representative of the International Atomic Energy Agency.

## AGENDA ITEMS 2 AND 5

World economic trends (E/3501 and Add.1-6, E/3519, E/3520 and Add.1, E/3530; E/CN.12/565 and Add.1 and Add.1/Corr.1-3; E/CN.14/67; E/ECE/419)

Economic development of under-developed countries and financing of economic development (E/3476, E/3492 and Corr.1, E/3513, E/3514)

GENERAL DEBATE (*continued*)

1. Mr. LESECHKO (Union of Soviet Socialist Republics) said that the items under consideration were the two most important items on the agenda, and the Council should not approach them from a purely statistical standpoint. It should examine world economic trends from the political and economic standpoint and should consider how far those trends responded to the aspirations of the peoples for peaceful co-existence, for the strengthening of international co-operation and for the intensification of efforts to raise levels of living. It was in fact one of the

important functions of the United Nations and of the Council to ensure peaceful co-existence among States and effective co-operation among all countries in accordance with the principles of the Charter. It was with those aims in view that the Soviet Union had submitted a draft declaration on international economic co-operation,<sup>1</sup> the text of which had been circulated to governments for their consideration in accordance with the decision taken by the Council at its previous session (resolution 812 (XXXI)).

2. The Soviet delegation had been surprised that the *World Economic Survey, 1960* (E/3501 and Add.1-6) did not reflect any effort to strengthen peaceful co-existence among States with different social systems or to eliminate the cold war from international relations, although economic progress and the growth of prosperity largely depended on the strengthening of peaceful relations and the development of economic co-operation and peaceful competition among nations. In Western Europe, for instance, there was a growing tendency towards the extension of closed economic groupings, a development which was detrimental to many countries and especially to those in course of development. The *Survey* did not, however, discuss that problem at all. The same was true of the problem created by the increasing strength of monopolies in capitalist countries and the question of the important role which might be played in capital formation by the reduction of expenditure on armaments and the cessation of the exploitation of the under-developed countries by foreign private capital.

3. Little or no attempt was made in the *Survey* to explore methods of fruitful co-operation between different social systems or between the less developed and the developed countries. There was no evaluation of the facts and trends in the economic development of individual countries or groups of countries from the standpoint of determining the action to be taken by the Council and the other economic organs of the United Nations for the extension and consolidation of international economic co-operation.

4. The authors of the *Survey* quite improperly applied the laws of development relevant to capitalist economies to the evaluation of the development of socialist economies. There was no evidence of any willingness to recognize the radical differences between the socialist and capitalist systems of production. For that reason, the *Survey* in many instances failed to give an objective picture of the trend of economic development in the socialist countries.

5. The *Survey* admitted that, contrary to the situation in the capitalist countries, economic development in the socialist countries had continued at the same rate as in preceding years, but gave the absurd explanation that

<sup>1</sup> *Official Records of the Economic and Social Council, Thirty-first Session, Annexes, agenda item 6, document E/3467.*

that favourable trend was due to the relatively small role which trade with the rest of the world played in their economies. In fact, of course, explanation of the high and sustained rate of development in the socialist countries was not to be found in the volume of trade with capitalist countries, but in the public ownership of the means of production and in the absence of exploitation and unorganized production. In the socialist countries, economic development was planned for several years ahead, in all its different aspects. The Chairman of the Council of Ministers of the USSR had recently stated that the time would soon come when the Soviet Union would outstrip the United States of America, the most developed capitalist country, both in actual output and in per caput income.

6. All those questions would have been more fully studied and the appropriate recommendations would have been made if the socialist countries and all the existing groups of countries had been adequately represented in United Nations bodies, including the economic organs. It was apparent that the difficulties arose from the fact that direction of the Secretariat was in the hands of a single individual and that they would be eliminated by the adoption of the Soviet Union's proposals regarding the structure of the United Nations.

7. Much of the *Survey* was taken up with secondary questions of statistics rather than with the analysis of vital economic problems such as international economic co-operation, the role of closed economic groupings, the adverse effects of monopolies, employment and unemployment, the negative role of the armaments race and the problem of the rate and direction of economic development.

8. In the Soviet Union, further economic progress had been achieved in 1960, the second year of the current seven-year plan. In that country, as in all the socialist countries, the planned increase in industrial production had continued and targets had been over-fulfilled. The volume of Soviet production had risen in 1960 by almost 10 per cent over 1959, compared with a planned increase of 8 per cent. The value of production in 1960 had exceeded the estimates and the control figures by 6,600 million roubles or \$7,000 million. The output of heavy industry had continued to increase, production of steel in 1960 had amounted to 65 million tons, that of oil to 148 million tons and that of electricity to 292,000 million kWh. In spite of adverse weather conditions, agricultural production in 1960 had been higher than in 1959, the grain harvest having exceeded 133 million tons. No less than 154,000 new tractors had been put into operation and investment by the State and by co-operative organizations (excluding kholkozes) had amounted to 30,000 million new roubles. The national income of the USSR had shown an increase of 8 per cent over 1959.

9. The foreign trade of the Soviet Union had also continued to grow. In 1960, it had amounted to 10,000 million new roubles or \$11,000 million, which was nine times the 1938 figure. Despite the fact that the Soviet Union, with its highly developed industry and extensive natural resources, was in a position to develop its economy independently, it wished to enjoy the benefits of an inter-

national division of labour. In 1950, it had traded with forty countries; in 1960 it was trading with eighty-one. It had trade agreements with over fifty States, many of which were of a long-term character. Its trade with the newly independent countries of Asia, Africa and Latin America had increased eightfold during the past seven years.

10. The USSR considered it a duty to assist the under-developed countries to strengthen their independence and to liquidate the economic effects of colonialism. It therefore provided its technical and economic assistance with no political or economic conditions attached and without seeking any advantages for itself. It did not own any of the undertakings which it set up in the less-developed countries nor derive any profits from their exploitation. The help of the Soviet Union thus enabled those countries to establish industries producing not only consumer but also capital goods. Some 350 industrial undertakings and other installations had been set up in the under-developed countries with the assistance of the Soviet Union, and help was being given, too, towards the establishment of forty well-equipped educational centres.

11. Trade with the industrialized countries had also developed, having shown a 25 per cent increase over 1959. The practice of concluding long-term agreements which ensured a stable market for the Soviet Union's trade partners had also been extended. However, the possibilities of trade expansion were not being fully utilized because of the discrimination and artificial barriers being imposed by certain capitalist countries.

12. The growth of trade was linked with the general economic development of the socialist countries which, as a whole, were considerably over-fulfilling their plans. In those countries, the production of capital goods at present represented more than one-half of all industrial production. That provided a guarantee of economic independence and ensured a steady increase in the production of consumer goods and an improvement in the standard of living.

13. Industrial production in the socialist countries was to double or treble in the period 1959-1965. It was estimated that, in 1965, those countries would account for half of the world's industrial production; there could be no doubt that they would overtake the capitalist countries in industrial production in the very near future. In the period 1956-1960, the volume of industrial production had increased in the socialist countries by 89 per cent as compared with only 20 per cent in the capitalist countries as a whole and 12 per cent in the United States alone.

14. Where industrial production in the capitalist countries was concerned, the figures pointed to uneven growth. Although industrial production had shown a general rise in Western Europe and Japan in 1960, it had shown a decline in the United States and Canada, which had suffered from over-production in 1960 and early in 1961. There had been a slight improvement in the situation in the United States in the current year, but the trend of business activity in the other capitalist countries had been very uneven; production had substantially increased in Japan, Italy and the Netherlands, but had slowed down in the Federal Republic of Germany and the United Kingdom.

15. The *Survey* did not demonstrate how the capitalist system of production worked to the detriment of the peoples of the western countries. Under that system, it was not possible to make full use of those countries' productive capacity, ensure full employment or plan development. Thus, factories in the United States were working up to only 60 to 70 per cent of capacity at a time when many countries in Latin America, Asia and Africa were badly in need of the products they could have provided. A comparison of the socialist and capitalist systems would have been of invaluable assistance to the under-developed countries in making their choice of the system to adopt for their own economic development.

16. There were a number of similarities in the economic situation of the various capitalist countries; one was the rising cost of living, which led to a lower level of living. Statistics showed that the cost of living in the United States of America had risen by 11 per cent in 1960 as compared with 1953; the corresponding figure for the United Kingdom was 23 per cent, for France 37 per cent, and for Japan 16 per cent. Economic growth did not consequently benefit the masses and wage increases did not compensate for the rise in the prices of consumer goods.

17. The *Survey* noted the growth of world trade as one of the favourable factors in the development of the capitalist economy in 1960. It failed, however, to point out that that increase was accounted for by the expansion of trade among the industrial countries themselves; trade between industrial and under-developed countries had actually declined. It was the trade in manufactured goods which had increased; trade in foodstuffs and primary commodities had decreased. Moreover, export prices for manufactured goods had risen while those of primary commodities and foodstuffs had fallen. The expansion of trade had thus benefited the industrial countries of the West and had been detrimental to the interests of the under-developed countries. Furthermore, the lowering of customs tariffs within the closed economic groupings in Europe had increased discrimination against third countries and, in particular, against under-developed countries. The Council should not overlook such abnormal developments in world trade.

18. A number of capitalist countries were showing signs of growing chronic unemployment. For example, there were over 5.5 million unemployed in the United States of America. It was particularly significant that after each economic crisis the number of unemployed in that country represented a larger percentage of the total labour force. After the 1948-49 crisis, the unemployed had represented 2.6 per cent of that force; after the 1953-54 crisis 3.9 per cent; and after the 1957-58 crisis 4.8 per cent; at present, the unemployed represented over 7 per cent of the total labour force. Statistics showed that there was also a high level of unemployment in Canada, Belgium, Greece, Norway, Spain and other countries. Under Article 55 of the Charter, the United Nations was called upon to promote full employment. In view of the serious rise in unemployment to which he had referred, the matter should receive the close attention of all United Nations bodies, in particular the Economic and Social Council. The ILO was, of course, concerned with the technical aspects of employment, but the problem of unemployment was much

wider — it was directly connected with economic problems with which the Council was concerned. The Soviet Union would submit a draft resolution on that important question.<sup>2</sup>

19. With regard to the economic development of under-developed countries, one of the most important problems which arose was the liquidation of the economic aftermath of colonialism. Colonialism itself was rapidly being erased from the map, but its economic aspects still remained to be eradicated. Those aspects affected not only the countries which had recently achieved independence, but others which had been independent for decades and even some which had never been under colonial rule but which had developed into producers of primary commodities for the countries of the Western world. The economies of all those countries had a feature in common — exploitation by foreign monopolies. It was in the interests of the monopolies to maintain those countries in a state of economic dependence, with low levels of living and a cheap labour force.

20. It was necessary to eradicate what amounted to economic colonialism in order to make political independence a reality. The late Mr. Patrice Lumumba had fully understood that fact when he had opposed the introduction of any new forms of colonialism. There was a growing realization throughout the countries of Asia, Africa and Latin America of the reasons for economic backwardness. Many of those countries were strengthening their economies and the first successes had already been attained in gaining economic independence. Those successes showed that the apologists of colonialism were wrong in suggesting that the peoples of those countries were unable to achieve progress by their own unaided efforts.

21. The fact was that the former colonial countries were many decades behind most other countries precisely because of the policy followed by the metropolitan countries to which they had previously belonged. The extent of their backwardness was apparent from the figures for per caput national income, which in the under-developed countries was barely \$50 to \$100 per annum — i.e., one-tenth or even one-twentieth of the corresponding figure for the economically developed countries.

22. Another disturbing fact was the slow rate of economic growth in the developing countries, which was in many instances slower than in the capitalist countries, not to speak of the socialist countries. For example, it was disturbing to note from the *Economic Survey of Latin America, 1950* (E/CN.12/565 and Add.1 and Add.1/Corr.1-3) that the total national product for the Latin American countries as a whole had remained practically unchanged since 1958. The authors of the survey mentioned a number of reasons: the lack of a money or capital market, the system of land tenure peculiar to the area and unfavourable international market conditions. Those factors certainly played a part in the economy of the Latin American countries, but the main factor was the exploitation of those countries by foreign monopolies, as was the case with other under-developed areas of the world. It was widely claimed that the best, if not the only, means of accelerating

<sup>2</sup> Subsequently circulated as document E/L.907.

economic development was foreign capital investment. And yet, although Latin America accounted for the biggest share of United States overseas investments, the thousands of millions of dollars invested there had not enabled the Latin American countries to overcome their economic backwardness. The reason was that the investments were controlled by those who wished to derive huge profits from those countries.

23. The USSR had consistently maintained in the United Nations that the development of the under-developed countries should and could be largely financed from their own resources which at present could not be fully mobilized as a result of exploitation by foreign Powers. Outside assistance was, of course, also necessary in order to speed up the process of development and to facilitate the eradication of the economic consequences of colonialism.

24. The socialist countries were fulfilling their duty of providing disinterested assistance to the less developed countries, with no political or other conditions attached. In particular, they extended to those countries interest-free and long-term credits. The assistance provided was thus real assistance and not a means of economic exploitation, a fact which was fully understood by the peoples of the less developed countries themselves. The single direction of the Secretariat in matters of assistance to under-developed countries worked to the advantage of the imperialist Powers and to the detriment of the interests of the people of the less developed countries. The time had come to take practical measures in the matter of assistance, in the complete liquidation of colonialism and in the establishment of conditions for the development of the national economies of those countries; in accordance with General Assembly resolution 1514 (XV) — Declaration on the granting of independence to colonial countries and peoples. The Soviet delegation was circulating a memorandum on that subject to all members of the Council.<sup>3</sup>

25. The most urgent problem of the present time was that of disarmament. The armaments race had for years placed heavy burdens on the peoples and had been the major factor militating against peaceful co-existence. Not only was it a terrible threat to mankind, but it was also leading to disastrous consequences for economic development and levels of living and to the disorganization of international trade. It was for the Economic and Social Council to bear its share in solving that problem. At the thirtieth session, the Soviet Union delegation had repeatedly proposed that the organs of the United Nations should examine the social and economic consequences of disarmament. It was evident that the termination of the armaments race would not only end a threat to the people but would open up wide prospects for economic development. That important subject should be entrusted not only to expert consultants as General Assembly resolution 1516 (XV) recommended, but also to the Council and the specialized agencies. The existence of differing systems, known as the capitalist and socialist systems, was a reality which would have to be taken as the starting point for any studies carried out in that connexion.

<sup>3</sup> Subsequently circulated as document E/L.908.

26. The Soviet delegation, having expressed its views and made suggestions for the Council's future work, wished to state that it would, as before, endeavour to ensure that the Council played its proper part in promoting peaceful co-existence and international collaboration.

27. Mr. ANIEL QUIROGA (Spain) congratulated the Secretariat on the excellent documentation submitted to the Council in connexion with agenda item 2.

28. In the opinion of the Spanish delegation, one of the most noteworthy features of 1960 had been the spirit of solidarity shown by the European countries in the face of a marked recession in the United States of America. By adjusting interest rates, removing the discriminatory measures applied to the dollar zone and making repayments to IMF, those countries had contributed to the restoration of the United States balance of payments, thus strengthening the economic links between themselves and the American continent and promoting that co-ordination of efforts within the Atlantic community which increasing economic interdependence rendered inevitable. The economy of European countries had probably proved less vulnerable to the cyclical fluctuations of the post-war years than had that of the United States of America, doubtless because they had adopted measures and applied policies which were deliberately aimed at economic growth and stability. It was very possible that United States participation in the work of the Organization for Economic Co-operation and Development (OECD) might have the effect of eliminating or attenuating future recessions, a development that would certainly also have its favourable repercussions on the economies of the under-developed countries.

29. One of the most difficult problems confronting the under-developed countries was the inadequacy of domestic savings, which compelled those countries to have recourse to foreign capital, private or public, for financing their investments. As the reports under consideration showed, however, foreign private capital naturally tended to seek outlets which offered the most profitable returns. Where international public capital was concerned, any idea of profit must, therefore, be abandoned and the primary aim must be to fill gaps in private investment. Nevertheless, the function of international capital should be to supplement national savings, and such capital should mainly be used in the early stages to finance imports of capital goods. Such a result could be achieved only as part of a carefully prepared plan, fixing not only the volume of investments required to attain a given rate of expansion but also the level to be reached by domestic savings, stimulated by external contributions. National effort — the capacity of the country concerned to transform its economy by means of its own resources — was the principal guarantee of economic development. The desirable level of foreign investments would thus be determined by a country's capacity to transform its national economy, on the one hand, and by the volume of internal savings on the other.

30. Another factor which had a decisive influence on the economic development of the under-developed countries was their capacity to absorb foreign capital for productive purposes. The IBRD could bear witness to the fact that under-developed countries possessed that capacity in a



high degree. Its action was restricted in many cases not by lack of capital but by the absence of prearranged plans and projects suitable for immediate implementation.

31. The gravest difficulties which had confronted the under-developed countries in 1960 had resulted from the unfavourable level of raw material prices in comparison with 1959. For that reason, the industrialized countries and the international financing bodies had been obliged to take steps to prevent the disequilibrium in the balance of trade of the under-developed countries from having disastrous consequences on economic expansion. The fact that the international organizations, particularly IBRD, had taken steps to extend the range of their action did not in any way diminish the gravity of the problem, but rather tended to show that public international capital could not of itself achieve positive results.

32. The *World Economic Survey, 1960* showed that among the countries whose reserves had increased at the end of the year were the European commodity exporters, including Spain, whose reserves of foreign currency had risen to \$725 million. That improvement in Spain's economic situation was due to a systematic effort to achieve stabilization under a plan based on techniques recommended by international organizations such as the Organization for European Economic Co-operation and IMF, an effort which had been maintained only at the cost of inevitable sacrifices. Spain was engaged in preparing a general economic development plan with the aid of IBRD, from which good results were expected, as the ground had been prepared by measures aimed at internal liberalization and economic revival. It hoped that other countries which might find themselves in the same economic situation might profit from its experience.

33. As international financial assistance was being supplemented by an increasing volume of bilateral assistance and as it was essential to co-ordinate those forms of assistance, the Spanish delegation welcomed the setting up of a Development Assistance Group, which would later become the Development Assistance Committee of OECD.

34. The interesting report on trade relations between under-developed and industrially advanced economies (E/3520) revealed the growing trend in the under-developed countries towards the formation of regional economic groupings with a view to developing foreign trade. Much had been said of the advantages and disadvantages of such groupings. The Spanish delegation regarded the trend as a preparatory stage towards a wider integration. The main object of most of the groupings was to ensure the liberalization of intraregional trade. Although that aim undoubtedly offered some immediate advantages, the primary function of an economic grouping would appear to be to furnish the countries of a particular region with the necessary means to tackle their development on a footing of equality. In the opinion of the Spanish delegation, that was the only effective means of remedying the existing situation and eliminating the present discrepancies in levels of development. Consequently, any grouping designed to ensure greater economic stability must establish the institutions necessary to avert the dangers inherent in the free play of economic forces. Hence, regional integra-

tion, which was merely an extension of national integration, must involve more than the elimination of frontiers; its aim must be the unification of the political and economic views of the various States composing it, since the primary function of an economic grouping was to co-ordinate. Experience alone would show whether the attempts at integration which were taking place at the present time would bring countries closer together or would, on the contrary, accentuate differences to the detriment of the less developed areas; but in any event it was at the sub-regional level that the first attempts must be made, the process being extended as the countries concerned reached an adequate level of development.

35. The Spanish delegation had some specific comments to make on the report in question. In the first place, it wished to re-emphasize the need for the progressive elimination of the protectionist policies applied by the industrialized countries with regard to agriculture. The elimination of those policies was essential to the expansion of international trade and the development of the under-developed countries. In the second place, it was becoming increasingly necessary to modify the principle of reciprocity applied in negotiations conducted within the framework of GATT so that its application was not limited merely to customs duties. In the third place, the Spanish delegation agreed with the views expressed regarding the possibilities offered by the establishment in the under-developed countries of industries not calling for advanced techniques or a high degree of specialization. The adoption of measures by the competent international organizations or the conclusion of appropriate international agreements for that purpose might encourage the tendency to international specialization which was already evident in some sectors of industry, such as textiles.

36. For the purposes of its study on saving for economic development in the under-developed countries (E/3501/Add.2), the Secretariat had classified the under-developed countries in four major groups according to their per caput income. The Spanish delegation wished to point out that there were some countries which were not properly speaking "under-developed", although they had not reached the high level of the industrialized countries. Those countries, which might be styled "intermediate", possessed a solid cultural infrastructure and most of the cultural and psychological prerequisites for economic development. Where international economic assistance was concerned, they required help quite different both qualitatively and quantitatively from that generally granted to under-developed countries still in the first phases of economic development. Moreover, many of them were in a position themselves to assist the under-developed countries properly so called, particularly in the technical field, and such assistance would have, *inter alia*, the merit of not provoking the doubts and suspicions to which assistance from the great powers might give rise. The Council would perhaps find it useful to request the Department of Economic and Social Affairs to give special consideration to the needs of the "intermediate" countries and to the part which they might play in international economic life.

37. Mr. SEN, Director-General, Food and Agriculture Organization of the United Nations, said that new plans

were now being shaped for the wider use of agricultural surpluses for aid and development in response to General Assembly resolution 1496 (XV) on the provision of food surpluses to food-deficient people through the United Nations system. The organizational aspects of those plans would be dealt with under item 8 of the agenda. More than one-half of the population of the world was under- or mal-nourished. Far larger numbers, especially children, lacked the protein and protective foods necessary for health and full development. The basic cause was poverty. The situation had been set out clearly in paragraphs 6 and 7 of the FAO report entitled "Development through Food — A Strategy for Surplus Utilization" (E/3462), which showed that international inequalities were not being reduced, but that, in fact, the gap was widening. Viewed against that background, the trends in world economic development gave no grounds for satisfaction. Two especially disconcerting features were the continuing low levels of food consumption in large parts of the world and the continuing deterioration of the terms of trade of agricultural exporting countries. The export trade of the less developed countries represented about eight times the value of the international aid they received, and so even relatively small fluctuations in the value of that trade might have a great impact on their foreign exchange resources and hence on their development programmes, often nullifying the effect of the aid they received.

38. Efforts were being made to lessen the short-term instability and improve the long-term market prospects for primary products. The FAO was working on a draft international agreement on cocoa and was giving special attention to ways of improving techniques for long-term projection of world demand and supply prospects in major commodities, which would be discussed in May 1962 by a joint meeting of FAO and the Commission on International Commodity Trade. FAO was also undertaking studies and consultations on possible methods of compensatory financing to cushion fluctuations in trade in commodities.

39. Closer attention was also being given to the possible effects of new regional groupings — a trend which undoubtedly presented one of the great challenges of the age; along with the prospects for rapidly expanding markets, such new groupings carried inherent dangers and might possibly lead to shifts in the patterns of world trade, particularly in agricultural products. Although it was too early to assess the net effect of the new policies, the understanding attitude taken in the carrying out of integration plans in Europe vis-à-vis the aid programmes for other countries in other parts of the world deserved appreciation.

40. Technical assistance itself obviously could not accomplish the whole task of economic development, since the essential basis for progress must be the release of the latent energies of the peoples of the less developed countries themselves. It could, however, be a lever to help developing countries to help themselves.

41. The application of General Assembly resolution 1496 (XV) to aid economic development through the utilization of food surpluses rested on a number of principles which were set out in the FAO report he had mentioned. The programme must be designed to promote

faster economic development. The national objectives and aspirations of the developing countries themselves must provide the basis of such programmes. Each programme must be integrated with the national development plans or, where such plans did not exist, with priorities established by the governments of the recipient countries. Adequate attention must be given to safeguarding and speeding up agricultural production and development in countries receiving food aid. Expansion of food aid must be accompanied by appropriate increases in total aid, if imbalances were not to occur. Every effort should be made to avoid interference with commercial exports, in accordance with the internationally accepted FAO Principles of Surplus Disposal.

42. An injection of surplus food might assist agriculture in recipient countries by increasing the rate of rural capital formation, facilitating the transition to better livestock production and management, arranging long-term investment in soil conservation, water management and forestry, underwriting land reform by providing insurance against short deliveries during the transitional stage, and, by setting up national food reserves with available surpluses, might assist the establishment of a system of floor prices, which, if judiciously managed, might provide one of the key incentives to agricultural progress.

43. In many recipient countries economic expansion would require an overhaul of the planning machinery. Planning must be paralleled by co-ordination of aid activities among donor countries to ensure that financial and technical aid was available in appropriate amounts simultaneously with food aid. International organizations must be ready to take a more active part, on request, in the promotion of multilateral programmes of international aid than they had in the past.

44. On the basis of the current volume of aid from developed countries and of the absorptive capacity of less developed countries, it was estimated that surplus foods to the value of about \$12,500 million would be available for distribution outside commercial channels in the next five years. To achieve the objective in view, aid, which now amounted to \$3,600 million per year, should be increased to \$5,000–6,000 million, which would represent one-half to three-quarters of 1 per cent of the annual income of developed countries. That would be sufficient to achieve a rise in average income in the less developed countries of 2 per cent per year; but a 2 per cent rise for people living at such a low level of existence would not be enough to prevent social discontent. Recognizing the need for higher income growth rates in less developed countries, developed countries had recently suggested a figure of 1 per cent of their gross national product as a possible rate of contribution. It was to be hoped that aid would be given to the areas which General Assembly resolution 1496 (XV) described as areas of greatest need.

45. The FAO report attempted to break new ground. It considered the use of food aid both to relieve emergencies and to speed up economic and social development. Emergencies must be met, but it should be realized that in finding ways to utilize the largest practicable quantities of the surplus food available, as recommended by General Assembly resolution 1496 (XV), emergency assistance had only a relatively minor part to play. In the coming five-

years, one-tenth of the food surpluses available for distribution might be used for relief purposes, whereas the great bulk should be used for the more permanent purposes of economic and social development. The United States proposal referred to in paragraph 127 of the report might be an essential element of economic development. In carrying out any surplus food utilization programme,

FAO and some of the other specialized agencies and the United Nations would have to co-ordinate their functions as closely as possible.

46. He would draw the attention of members of the Council to the conclusion set out in paragraph 128 of the report.

The meeting rose at 5.40 p.m.