

World economic growth would be arrested and a recession might be at hand. The multilateral system of trade would be disrupted and unemployment was bound to spread.

82. ICC fully recognized the difficult task facing the negotiators. He assured the Council that business in each country was ready to give Governments the support needed for their efforts and to provide the basis of international understanding among businessmen which was essential to negotiations among Governments.

83. The PRESIDENT said that it was his intention to adjourn the debate on agenda item 3 at that stage and to

provide the opportunity of a further one or two meetings for members to comment on the statements of position made.

84. In reply to a question from Mr. SANTA CRUZ (Chile), the PRESIDENT said that, to enable the delegations to deploy their members as advantageously as possible, he would give as much advance notice of the dates of those further meetings as was possible. He hoped to inform the Council of the dates the following day.

*The meeting rose at 6.10 p.m.*

## 1872nd meeting

Tuesday, 24th July 1973, at 10.45 a.m.

*President:* Mr. S. A. FRAZÃO (Brazil)

E/SR.1872

### AGENDA ITEM 3

#### General discussion of international economic and social policy, including regional and sectoral developments (continued) (E/L.1561/Rev.1)

1. The PRESIDENT said that the meeting would be devoted to an exchange of views on the statements made during the general debate.

2. He pointed out that the Chilean delegation had submitted a draft resolution on the general discussion of international economic and social policy, including regional and sectoral developments (E/L.1561/Rev.1).

3. Mr. de SEYNES (Under-Secretary-General for Economic and Social Affairs) said that the general debate had been held in an atmosphere of political *détente* and that, consequently, the Council's responsibility seemed more deeply involved than ever with regard to the objectives assigned to it by the Charter. It was, however, first of all necessary to analyse the conditions under which it would be possible to benefit from the results of that atmosphere. *Détente* must promote economic co-operation within the United Nations, but for several reasons it would not bring it about automatically. There was a danger of at least temporary maladjustments resulting from diversionary strains in commercial and financial flows which might be a temporary consequence at least of *détente*, particularly in a situation characterized by a shortage of certain raw materials. Those strains should not be exaggerated, but it was necessary to be mindful of them. On the other hand the obstacles which had hampered economic co-operation within the framework of the International Development Strategy seemed to be unconnected with the political tensions of the past few years; it could therefore not be affirmed that *détente* alone would eliminate them. Co-

operation as it had been defined in the United Nations was based on a spirit of concession and non-reciprocity, the vicissitudes of which were not necessarily related to the political climate. That spirit might reaffirm itself during the appraisal of the Strategy, the forthcoming GATT negotiations and the sugar negotiations which affected 200 million inhabitants of developing countries. On those occasions the industrialized countries might indicate whether they were willing to make the additional efforts which political *détente* seemed to require. Finally, the complexity of the world economic system, which was apparently the main concern of the Council and would probably not lessen as a result of *détente*, had very little to do with political tensions.

4. The present economic emergency was characterized by contrasts and imbalances, the existence of both shortages and surpluses – since the trend had been reversed from 1971 to 1972 – and by the emergence of conflicts between growth and the quality of life, which conflicts were heightened by the energy shortages which were beginning to develop.

5. The situation was, however, mainly characterized by widespread inflation and the uncertainty of the international monetary situation; it was therefore necessary to consider how the Council could usefully approach those problems. Since 1971, it had become apparent that the recently-adopted International Development Strategy did not define the conditions under which the world economy should function if the obligations it embodied were to have the best chance of being met. Two new events had occurred since the opening of the general debate: OECD had published a report<sup>1</sup> in which it raised a cry of alarm about inflation, which was certainly the most disturbing phenom-

<sup>1</sup> OECD Economic Outlook, No. 13 (July 1973), Paris.

erion of the present period; and the United States of America had announced anti-inflationary measures which had been welcomed as courageous and intelligent. It was becoming clear that the traditional methods of combating inflation by impacting on global demand had become inadequate and that other, often controversial, methods would have to be used. Such methods would be a subtle combination and alternation of various measures including the freezing, control or, simply, the supervision of prices and wages. It would nevertheless and undoubtedly be necessary also to manipulate demand and, in that case, also to implement new employment policies in order not to be caught up in the inflation-unemployment dilemma.

6. The instability of the international monetary system was the second main characteristic of the present emergency situation. It was marked by uncertainty resulting from the fact that the system in force was not generally accepted, although it might prove acceptable if it was improved or better understood. At present, it was not clear whether there was a crisis or, rather, a new situation characterized by greater flexibility, to which it was not necessarily impossible to adapt. In any case, it did not seem on the whole, that the system of floating exchange rates had had adverse effects on international trade or that it had paralysed governmental decisions on investment and development policy, although definite conclusions could not be drawn from the present period. The current uncertainty was perhaps preferable, after all, to the false security which had prevailed, at least since 1967, as a result of the Bretton Woods system. If floating exchange rates had come to be accepted, that was because the concertation between the Powers on which the equilibrium of the monetary system largely depended had failed on two very important points, namely, parity grids, and criteria to govern unavoidable adjustments. For the time being, no one could say whether there was any chance of early agreement. It was to be noted that, in the communiqué it had issued on 27 March 1973,<sup>2</sup> the Committee of Twenty,<sup>3</sup> displaying the utmost prudence, had recognized that the system of floating exchange rates could prove a legitimate technique in certain circumstances and for a given period of time. The whole problem was to know how long such a period would last. It would, however, be seriously wrong to believe that a system of floating exchange rates could exempt any country from obeying certain disciplines or free it from any external constraints, or again that it could make an attempt at concertation any less necessary. It was important to reaffirm a number of rules, particularly concerning interest rates, because it was very abnormal for the Governments of countries with strong currencies to raise their interest rates while countries with weak currencies were lowering theirs.

7. The present uncertainty was the result not only of the play of national interests, but also of conceptual and doctrinal differences. The question of the international contagion of inflation, the problem of means of counter-acting short-term speculative movements and the difficulties encountered in combining increasing regionalization

with the organization of a world monetary system, were all controversial matters.

8. It was evident that the Economic and Social Council lacked the means and information necessary to play a role in the solution of those problems; yet it could no longer rest content with general exhortations to Governments. Moreover some of its objectives, such as the transformation of trade relations and long-term investment policies, could be threatened by present events. It could therefore be important to make a comprehensive study of the situation in order to clarify the existing relationships between national policies and the requirements of an increasingly open world economy. The Council, whose anticipatory role should be stressed, might make its contribution, particularly by defining the goals and methods to which a more rational monetary system should conform. It should also elaborate the rules of behaviour of the various countries, the reciprocal obligations of creditor countries (which had never been fully recognized) and those of debtor countries (which had never been fully met).

9. The endemic problems of under-development, which had become more pressing through the emergence of agricultural shortages, were the main theme of the appraisal of the International Development Strategy, which gave countries an opportunity to negotiate and renew their commitments. It should also not be forgotten that the very validity of the Strategy had occasionally been questioned. There was some very understandable resistance to various proposals made by the Secretary-General concerning a more specific definition of certain existing objectives and a new presentation of certain results; but it was to be hoped that those questions would be considered with the very careful attention they deserved, because it would be most regrettable if, in 1973 already, the Strategy were rejected by some and ignored by others.

10. With regard to the question of shortages, he thought that the United Nations warning system was not working satisfactorily and that the Council had not been sufficiently vigilant, particularly in the matter of long-term forecasts of the consumption of raw materials and energy.

11. In 1972, particularly after the United Nations Conference on the Human Environment and the publication of the report of the Club of Rome,<sup>4</sup> there had been a turning-point marked by increasingly deep concern about growth. Although Governments did not seem to accept the need to stop or slow down growth, they at least wished to control it. A new attitude towards environmental problems and the better co-ordinated use of resources which were known to be far from inexhaustible, had become necessary.

12. Such anxieties underlined the role of technology, which it would be very wrong to consider as a *deus ex machina*, but which required joint policies and efforts pursued much more vigorously than in the past. In that connexion, the hopes raised by the United Nations Conference on the Application of Science and Technology for the

<sup>2</sup> Reproduced in TD/B/427/Add.3, sect. (f).

<sup>3</sup> *Ad hoc* Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues.

<sup>4</sup> D. H. Meadows and others, *The limits to growth – A report for the Club of Rome project on the predicament of mankind* (London, Earth Island, 1972).

Benefit of the Less Developed Areas had remained largely unanswered, but it was no less necessary to endeavour to apply its results and adapt them to the objectives proposed in the Strategy. As the representative of Brazil had stressed at the 1870th meeting, the most serious gap was probably the lack of an adaptation of technology suited to the social, economic and cultural conditions of the developing countries. The international community should henceforward devote itself to that task by seeking to organize itself more effectively.

13. Mr. SANTA CRUZ (Chile) said that he had listened with great interest to the statement of the Under-Secretary-General for Economic and Social Affairs and regretted that it had not been made at the opening of the general debate, as that would have allowed the Council to study it in greater depth.

14. The current year's general debate had been particularly interesting, as the world economy had entered a crucial stage in its development following the major changes which had recently occurred in the political and technical spheres. Five major problems seemed to have engaged the attention of the delegations: the international monetary situation, stagnation in the economic and social development of the developing countries, the multilateral negotiations of GATT, the activities of multinational companies and the role of the Council in international co-operation. The improvement in international relations, the settlement of conflicts and the relaxation of tension had created an atmosphere particularly favourable to the solution of those problems and the international community should seize the opportunity to redouble its efforts to establish an equitable economic and social order which would benefit all countries, whether big or small, and which would be based on the principles of the Charter, especially those of the equality of States, of their sovereignty over their natural resources and of economic and political non-intervention in their internal affairs. The improvement in international relations had already had encouraging results, for example in the very important matter of the exploitation of the sea-bed.

15. International monetary problems seemed to have dominated the debate. The Managing Director of IMF had spoken very frankly about the scale of the problem and had supported a drastic reform of the international monetary system, stating that the new system should satisfy the needs of all countries, rich and poor (1860th meeting). At the 1859th meeting, the Secretary-General had drawn attention to the close link between monetary and trade problems and to the resulting difficulties for developing countries. The Secretary-General of UNCTAD had also stressed the importance of that link and had advocated a total reorganization of the international monetary and trade system (1870th meeting). The Chairman of CDP at the 1861st meeting and the Director-General of GATT at the 1869th meeting had expressed similar concern over those matters.

16. Statements by representatives of the developing countries had also shown that the present monetary situation had created widespread and wholly justified anxiety. He was himself very pessimistic about the outcome

of the multilateral trade talks which were shortly to be held under the auspices of GATT and believed that developing countries should seriously consider whether there was any point in taking part in the Ministerial meeting at Tokyo. The Special Committee on Latin-American Co-ordination, which was to meet in the near future at Mexico City, would examine the consequences of the international monetary situation for developing countries.

17. The results of the review and appraisal of progress in the implementation of the International Development Strategy were not very encouraging. During the general debate, representatives of developing countries had expressed their deep disappointment at seeing that instead of moving closer to the objectives set in 1970, they seemed to be drifting away from them. The Chairman of CDP had pointed out that the cause of development was losing momentum. He admitted that developing countries had not done enough at the internal level, but he was equally convinced that developed countries, in spite of their rapid economic growth, had not shown the political will to take part in the economic and social development of the countries of the third world. Thus the representative of the United States of America had said at the 1865th meeting that his Government had asked Congress for extra funds for development totalling \$20 million, but in fact that would merely restore its contribution to the level of former years and, what was more, in a depreciated currency. On the other hand he wished to draw attention to the most constructive statement of the representative of the Netherlands (1861st meeting). He also welcomed the interest shown by the Scandinavian and socialist countries in the cause of co-operation with developing countries. The USSR delegation had stressed the need to bring about a better international division of labour so as to put an end to a situation in which developing countries were reduced to the position of mere suppliers of raw materials (1867th meeting). Chile appreciated that positive attitude and the economic aid received from certain countries, especially from member countries of EEC, in the form of credits, technical assistance and foodstuffs. He nevertheless supported the Quito Appraisal<sup>5</sup> and considered that on the whole, international co-operation had been disappointing.

18. The role of multinational companies in world economic development raised a particularly important issue, about which interesting comments had been made during the general debate. The French delegation had pointed out that "the very *raison d'être* of multinational companies, with their world-wide ascendancy, rendered them partially insensitive to the national characteristics of the countries in which they operated and largely invulnerable to the latter's sanctions" (1866th meeting, para. 39). The Japanese delegation had pointed out at the 1867th meeting that foreign private investments represented a major part of the efforts to promote development and that a set of principles regulating those investments should be adopted.

19. During the general debate, many representatives had referred to the need to re-vitalize the Council. In that

<sup>5</sup> Approved by ECLA in its resolution 320 (XV) (E/5275 and Corr.1, part III).

connexion, he had been somewhat puzzled by the comments of the representative of the United States of America who had recognized that the task of the Council was to lead the way in the implementation of the economic and social programmes of the United Nations and who had added that the United Nations, especially the Council, should seize the opportunity offered to them to re-organize their structure and methods lest public opinion should experience a disillusionment which would in the end prove irreversible (1865th meeting); but he had not given details either of his accusations or of his suggestions. He (the representative of Chile) considered that the loss of prestige from which the Council was undeniably suffering was due to its failure to tackle in depth the fundamental economic and social problems facing the world and that the major powers had never shown the political will genuinely to co-operate with developing countries within the Council in the search for ways to solve the problem of under-development. It was not by re-organizing its structure or by reinforcing its subsidiary bodies that the Council would recover its prestige, but by concentrating all its actions on the crucial problems and by resolutely adopting far-reaching policies.

20. Desiring to re-structure and reinforce the Council, the President had been the first during the debate to urge that the consensus should henceforth be adopted as the method of reaching decisions (1859th meeting). His delegation willingly subscribed to that plea, provided that the members of the Council were unanimous in giving that method the meaning attached to it by the representative of India (1871st meeting): a consensus should be based not on the lowest common denominator corresponding to the views of the most hesitant members of the community, but on the widest possible measure of agreement, achieved by means of a constructive confrontation based on common vision of the world. He added that in any case the Council should in principle come to its decisions in accordance with Article 67 of the Charter, that is to say by a majority of its members. Majority rule should not be systematically ignored, as it had very often opened the way to actions which seemed illusory at the outset.

21. In the light of the importance of the ideas which had been expressed during the general debate, his delegation wished to set down some conclusions which it was submitting to the Council in a draft resolution of a very general character (E/L.1561/Rev.1), aimed mainly at revitalizing the Council.

22. By adopting that draft resolution, the Council would in particular express its alarm at the persistence and aggravation of the international monetary crisis. The Council was not really competent in monetary matters, but the Under-Secretary-General for Economic and Social Affairs had said that it would be desirable to reconsider the role which the Council should play in such matters. He would like the Under-Secretary-General to explain his views on that point. In any case, even if the Council could do no more than issue a statement of intent on that subject, it was necessary to draw the attention of the public at large to the seriousness of the problem, to mobilize a will to negotiate and to stimulate joint action by the organizations within the United Nations system and by the general public. The Under-Secretary-General for Economic and Social Affairs

had judged it appropriate to declare that perhaps there there was no international monetary "crisis", since trade exchanges had not declined; nevertheless he had also admitted that the crisis could possibly compromise the success of the forthcoming multilateral trade negotiations. There really was a crisis, however, and it was having disastrous effects on developing countries. Furthermore the United Nations had still not studied a very important aspect of that monetary crisis, which stemmed from the enormous mass of capital constantly being moved by banks and multinational or international companies. If it were true that the Bretton Woods system was obsolete and the Smithsonian Agreement<sup>6</sup> inadequate, the Council should appeal to the entire international community to take part in setting up a new international monetary system. Chile was not proposing that the Council should call for an international monetary conference, but that it should simply suggest the initiation at the earliest moment of the widest possible consultations. Certain eminent individuals in the West had now even proposed that the socialist countries of Europe and Asia should be associated with the recasting of the monetary system.

23. The Council should also express its alarm at the threat of a food shortage. His delegation therefore urged in its draft resolution that the Council should put into effect a policy capable of assuring world food security. The Director-General of FAO had proposed the adoption of certain means for overcoming food shortages which the Council should support unreservedly.

24. The principles of the Charter and the institutional machinery of the United Nations having been the subject of some disillusioned comments during the debate, he considered it necessary to reaffirm the importance of those principles and machinery (sect. C, para. 4). The need to provide world public opinion with better information, referred to in section D, was directly linked to that necessity.

25. In 1949, the Council, concerned at the apparent threat of a recession, had appointed a group of high-level experts to carry out a study which had led it to adopt a whole series of practical measures.<sup>7</sup> By means of its draft resolution, his delegation aimed at providing the Council at its next session, through a similar formula, with a working basis on which it could perhaps take positive decisions.

26. Mr. DE AZEVEDO BRITO (Brazil) welcomed the fact that the Council had an opportunity of reflecting on the statements made during the general debate, which already revealed the possibility of a consensus on trade and monetary questions. He supported the notion of consensus as defined by the Indian representative. The starting-point for a consensus was a dialogue, with a view to moving forward on the path of development and international economic co-operation; the objective was change and adaptation to new ideas and conditions. The consensus

<sup>6</sup> Agreement on Exchange Rate Realignment, signed at Washington on 18 December 1971.

<sup>7</sup> *National and International Measures for Full Employment – Report by a Group of Experts appointed by the Secretary-General* (United Nations publication, Sales No. 1949.II.A.3).

should not be the lowest common denominator but the highest common factor acceptable to all. The Council should endeavour to attain it in all its discussions; but a consensus was definitely essential if resolutions containing statements of principle were to prove applicable, with the consequent undertakings and political measures. The United Nations Charter, moreover, recognized the importance of that notion, for Article 1, paragraph 4 stated that the United Nations should be “a centre for harmonizing the actions of nations”.

27. Regarding the concept of collective economic security, he emphasized the importance of interaction between the political and economic sectors: the political *détente* should promote economic co-operation, and *vice versa*; each of those two processes had its own worth, but their mutual relationships were no less valuable. The interdependence of the actions of individuals and nations, which should result in a more far-reaching harmonization of United Nations programmes, was likewise an essential factor. One should also take note of the relation between the concept of collective economic security and the efforts undertaken to elaborate a charter of the economic rights and duties of States. Collective economic security was a global concept which should inspire all the activities of the United Nations and which could strengthen the impact of the principles on which international economic co-operation was based.

28. Further, account should be taken of new concepts in regard to development and of the fresh considerations that were bound up with them: the concept of dynamic development, the changing character of problems which were undergoing modification in time and space, the growing concern for the well-being of the individual, and the long-term prospects open to mankind. There was an increasing awareness of the obligation to think in global terms and to plan in advance. The concept of growth itself had been modified. A redistribution of poverty was not enough; any such readjustment could promote development only for a limited period, without amounting to a true solution. Growth and economic production should provide the main impetus to development. It was necessary to find a satisfactory balance between the various categories of development objectives, to speed up income redistribution whilst encouraging production. As the Chairman of CDP had observed, “it would be hazardous to neglect economic objectives for purely social objectives” (1861st meeting, para. 5). The accumulation of capital was essential for development, whatever the development framework selected, and stagnation in the name of income redistribution could not be tolerated. His country was acting accordingly and endeavouring to combine economic development and social justice.

29. He hoped that the Council would undertake in 1974 a study in depth of two questions. First, there was the need to elaborate what might constitute a viable industrialization process which could be proposed to developing countries in order to help them in solving the problems posed by the poverty of the masses and by unemployment. Secondly, the Council should once again tackle the question of co-

operation with, and technical assistance to, developing countries. The latter must be provided with a development model that could be effectively applied; care must also be taken to ensure that previous errors were not perpetuated and that results were not increasingly unsatisfactory. He felt sure that the Council could take up that challenge, make a balanced synthesis of the problems before it, and provide the judicious guidance that all expected from it.

30. Mr. SCOTT (New Zealand) reminded those present that during the general debate on international economic and social policies as they related to development, many speakers had deplored the fact that vast resources which could be devoted to promoting growth and prosperity were being wastefully spent on weapons of mass destruction, and had called for action to bring that state of affairs to an end. Moreover, the world had recently become aware of the danger to the environment of uncontrolled or immoderate use of the planet's limited resources, and the Economic and Social Council was seized of its responsibilities for environmental activities.

31. Against that background, it was regrettable that France had exploded on 21 July a nuclear weapon device in the atmosphere over Mururoa Atoll in the South Pacific. France had acted in defiance of the binding order of the International Court of Justice, thus failing in its obligations as a Member State of the United Nations. It had defied a growing tide of world opinion against nuclear weapon tests; those feelings had also been expressed in the United Nations, which deplored the consequent risks to human health and to the environment, as well as the development of nuclear stockpiles and the capacity for destruction. France had ignored the repeatedly-expressed wishes of the peoples of the Pacific region. France was pursuing what it claimed to be a vital national interest, but it had chosen to set aside the broader community interest, and it was that very community interest with which the Council was concerned. The French Government claimed that to date there had to its knowledge been no harmful effects from the radio-active fall-out from the tests; but if it was so confident about the harmlessness of its tests, why was it carrying them out so far away from its own homeland? The peoples in the Pacific were being exposed to dangers of harmful radio-activity against their will and without gaining any commensurate benefits. The New Zealand Government deplored the fact that not only France, but also three other major Powers were continuing to test nuclear weapons, and it appealed to all those countries to cease their testing programmes and, instead, to invest their valuable resources in the progressive improvement of the well-being of mankind. Concerned to defend not only its own interests, but also those of the people of several of the small island States of the region who desired to live in peace and harmony and were gradually improving their living standards through decisions made by the Council, the New Zealand Government appealed once again to France to cease its nuclear weapon testing programme so that the peoples of the Pacific and of the world as a whole could move forward to greater prosperity without that unwarranted interference.

*The meeting rose at 1.0 p.m.*