

2069th meeting

Wednesday, 13 July 1977, at 10.55 a.m.

President: Mr. L. ŠMÍD (Czechoslovakia)

E/SR.2069

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (*continued*) (E/5937 and Corr.1, E/5937/Add.1 and Add.1/Corr.1 and 2, E/5937/Add.2, and 3, E/5937/Add.4 and Add.14/Corr.1, E/5977-5980, E/5995, E/5996, E/CEPAL/1027)

AGENDA ITEM 11

Assessment of the progress made in the implementation of General Assembly resolutions 2626 (XXV) entitled "International Development Strategy for the Second United Nations Development Decade", 3202 (S-VI) entitled "Programme of Action on the Establishment of a New International Economic Order", 3281 (XXIX) entitled

“Charter of Economic Rights and Duties of States” and 3362 (S-VII) entitled “Development and international economic co-operation” (continued) (E/5939 and Corr.1, E/5942, E/5970, E/5974, E/5981, E/5985, E/5991, E/5992, E/5994, E/5999, E/6001, E/6016)

1. Mr. LOEFF (European Economic Community), speaking at the invitation of the President, said that during 1976 the European Economic Community had concentrated its efforts on the revival of economic activity, but the severe disequilibrium among most of its member States had persisted; there had been no reduction in unemployment, inflationary pressures had remained acute and external deficits had increased. There was as yet no guarantee of a self-sustaining regular growth. On the basis of the most recent figures available, a growth rate of some 3.5 per cent in real terms could be expected in the GNP of the Community for 1977.

2. The stabilization programmes put into operation in a number of member States were only just beginning to produce results. At its March 1977 session, the Council of the European Communities had adapted the economic guidelines established for its members and for the Community in autumn 1976 to the most recent data. While endeavouring to ensure that evolutionary trends in 1977 followed an appropriate course, the Community had to work out a strategy capable of consolidating recovery beyond the current year and of bringing about sufficiently rapid progress towards structural rehabilitation, as outlined in the fourth medium-term programme of economic policy adopted on 14 March 1977.

3. While confronted with those internal problems, the European Economic Community had continued to rely upon the intensification of international economic co-operation. The involvement of its economy in the world economy and the development of its economic and trade relations with the rest of the world made strict co-operation at the international level more necessary than ever. The activities and projects of the Community should be seen in that perspective.

4. At the session of the OECD Ministerial Council held on 23 and 24 June 1977, the European Economic Community had subscribed to the renewal of the Trade Declaration of May 1974,¹⁹ in which Governments of States members of OECD had stated their determination not to resort to new trade restrictions to meet the difficulties created by the international economic crisis. In the Community's view, the undertaking to maintain free trade in the face of the crisis which had arisen towards the end of 1973, in a situation that could encourage protectionist pressures, was of political significance and had shown a desire for co-operation and solidarity in a difficult situation. That situation had developed, certain distortions even having been accentuated and economic recovery having failed to come up to expectations, but it had not fundamentally changed. The undertaking not to transfer the burden of the necessary adjustments to others had remained fully valid. The Declaration had, on the whole,

fulfilled its function; the steps taken three years earlier had proved their worth and the Community had therefore supported the renewal of the Declaration.

5. The Community, like its industrialized partners, mistrusted protectionism, which was a simple but mistaken means of facing problems that might be serious. Only by joint and concerted action at the international level, covering all aspects of the situation, could the crisis be overcome. It was not enough to maintain the *status quo*; efforts must be made to bring about a greater liberalization of international trade if what had been accomplished was not to be jeopardized. The GATT multilateral trade negotiations should be pursued in that spirit. Those negotiations, in which all developing countries which so desired were full partners, had proceeded at a moderately sustained rate during the year. With regard to the interests of the developing countries in particular, it should be emphasized that the Community and other industrialized countries had offered tariff and non-tariff concessions for tropical products. The Community had given effect to that offer as from 1 January 1977, both in the form of tariff suspension (most-favoured-nation treatment) and of preferential concessions under its generalized scheme of preferences.

6. With regard to international economic co-operation, 1976 and the first half of 1977 had been characterized by intense activity in negotiations between industrialized and developing countries. Throughout that period, there had been almost uninterrupted international discussion on North-South relations in various forums, including the meeting of the Interim Committee of the Board of Governors of IMF in January 1976, the fourth session of the United Nations Conference on Trade and Development in May 1976 and the Conference on International Economic Co-operation, which for the past 18 months had enabled representatives of developing and industrialized countries to review all aspects of North-South relations and to extend the dialogue on international economic co-operation which the growing interdependence of international economies made increasingly necessary.

7. At the same time, the Community and its member States had endeavoured to develop their own means of development co-operation. The Community had thus attached increased importance to efforts to co-ordinate and harmonize its co-operation policies and those of its member States. A resolution adopted by the Council of the European Communities in 1976 had opened up new prospects in that field by setting forth the objectives, methods and procedures to be followed in order to ensure the co-ordination and harmonization of co-operation and development policies within the Community, both with regard to general aspects and at the operational level. At the same time, the Community had proceeded with the application of its over-all development co-operation policy. Following the signature of the Lomé Convention in 1975, that policy had found new expression in 1976 in the agreements concluded with three countries of the Maghreb—Algeria, Morocco and Tunisia—and in the conclusion of negotiations with Egypt, Jordan and the Syrian Arab Republic.

¹⁹ See OECD, *OECD Observer* (Paris), No. 70, June 1974.

8. The "world" dimension of the policy of co-operation so far illustrated by the trade policy towards developing countries and by food aid had been enhanced since 1976 by the possibility of financial action through the inclusion in the Community's 1976 budget of a credit of 20 million units of account for aid to developing countries. The credit had been increased to 45 million units of account for 1977, representing more than \$50 million at the present rate.

9. In the matter of trade, that world dimension had found expression chiefly in the generalized scheme of preferences. The 1977 scheme, adopted by the Council of the European Communities on 13 December 1976, represented a substantial improvement on the one for the previous year, the volume of preferential import opportunities having been increased from \$5,200 million to \$7,000 million. The 1977 scheme provided for the removal of the distinction between cotton and non-cotton textiles and the establishment of a dual system for particularly sensitive products, with a view to offering the best opportunities to the least favoured countries. The Council of the European Communities had also agreed to suspend the application of quotas for quasi-sensitive and non-sensitive products for the benefit of the least developed countries.

10. With regard to food aid, new directives had been drawn up in 1976. The Community had laid down the principle for the planning of such aid. It consisted on the one hand of global planning, the aim of which was to give all developing countries an indication of the over-all effort the Community was prepared to make for a three-year period and, on the other, of specific planning in the form of an advance indication of the effort the Community was prepared to make in favour of certain international organizations working in the food aid sector or in favour of specific multi-year projects implemented by developing countries with a structural deficit in food aid.

11. Although the Conference on International Economic Co-operation had been unable to meet all the requests or proposals of the developing countries, the Community considered that the Conference had produced significant results which would prove useful in a number of the fields discussed. The Conference could scarcely be regarded as a single, global attempt to solve all the problems of North/South relations adequately; it was rather a stage in the North/South dialogue and in the intensification of international economic co-operation. The dialogue had been developing since the 1960s and was now being pursued almost continuously in various bodies.

12. The Community considered that the Conference on International Economic Co-operation had not only helped to improve the climate for discussion between developing and developed countries but had made it possible to give more thorough joint consideration to the main problems and to reach agreement on a number of important points. At the June 1977 session of the Ministerial Council of OECD, the French Minister for Foreign Affairs had rightly observed that the Conference had encouraged industrialized countries to deal with questions of fundamental importance to the developing countries with greater understanding and open-mindedness. That should make it possible to pursue

and intensify discussions in various bodies in the spirit of co-operation that had been characteristic of recent years. It was only in that way that developed and developing countries could together construct a more equitable and stable international economic system capable of providing a better life for all. The objective of co-operation should surely be to ensure the well-being of individuals, to increase their income and to meet the essential needs of mankind in all developing countries.

13. The European Economic Community had made a substantial effort during the Conference on International Economic Co-operation. Together with its industrialized partners, it had undertaken a number of specific commitments; one of them concerned special assistance of \$1,000 million in favour of low-income countries facing general problems of transfer of resources, to which the Community was to contribute \$385 million through IDA; another was the agreement to the establishment of a common fund for financing buffer stocks of commodities, as a key instrument for the attainment of the agreed objectives of the Integrated Programme for Commodities. Agreement had also been reached on infrastructure problems in developing countries, with particular reference to Africa.

14. The various bodies of the United Nations system should continue to give priority to work in the fields on which agreement had been reached at the Conference on International Economic Co-operation, without neglecting efforts to achieve a compromise on questions to which developing or developed countries attached particular importance and on which it had not yet been possible to reach agreement.

15. The work of the Conference on International Economic Co-operation would give new impetus to the various bodies of the United Nations system in their efforts to establish a more equitable and stable international economic system. He was confident that that work would facilitate the evaluation, in a spirit of co-operation and objectivity, of progress achieved in the application of the various General Assembly resolutions on the subject and would assist in the determination of the initial guidelines for the adoption of a new international development strategy.

16. The various decisions and actions of the European Economic Community and its member States demonstrated the political will to find solutions to economic problems, with a view to strengthening international economic co-operation.

17. Mr. KAUFMANN (Netherlands) observed that the Council's present session was taking place immediately following the conclusion in Paris of the Conference on International Economic Co-operation and almost two years after the seventh special session of the General Assembly, which, together with the sixth special session, had represented a milestone in the economic discussions in the United Nations. In 1975, after the seventh special session, all concerned had shared the feeling that the system worked and that there was a commitment to fundamental change in the international economic system and to action towards the establishment of a new international economic order.

Those expectations, however, had not been fulfilled and there had been failure in a number of cases to translate commitments into action. Policy responses had frequently been inadequate to meet urgent needs. His delegation, however, could not accept the negative verdict to which the lack of progress, combined with the continuing desperate economic and social situation in large areas of the world, might lead.

18. Over the past few years, the basic assumptions relating to the relevance of aggregate figures to express economic growth and to the economic outlook in the developed countries had been questioned. The differences among developing countries in terms of *per capita* income, balance of payments, production structures and the composition of exports had continued to widen. Such differences called for diversified policies and policy instruments in the relationships between developed and developing countries. Specific short-term measures such as a substantial increase in development assistance in real terms were also needed for the benefit of the poorer countries. Another major assumption that had been challenged was that of continued growth in the industrialized countries, whose short-term and longer-term economic outlook was uncertain and far less predictable than previously. Inflation and unemployment in the industrialized world had become structural phenomena calling for far-reaching policies geared to structural change. The need for such change had been emphasized in a number of publications.

19. The *World Economic Survey, 1976* (E/5995) and the report of the Committee for Development Planning on its thirteenth session (E/5939 and Corr.1) indicated that the 1970s had been a remarkably eventful decade. Although there had been much that was ominous, the latter report rightly stated that the situation was not hopeless. In his delegation's view, hope lay in the growing political recognition that action for a structural reform of the world economy was needed. The basic elements of justice and equity for people in developing and industrialized countries throughout the world must find their place in that reform. The equitable distribution of income, wealth, knowledge and power, through policies in fields such as commodities, trade and finance, was an issue that had to be tackled at the national and international levels in developed and developing countries alike.

20. The recent and essential shift in the focus of development thinking towards the new objectives of meeting the basic needs of the poorest people in society should not be used as an excuse for inaction in regard to structural change at the national and international levels.

21. The first major element to be tackled was that of a structural change in agricultural, industrial and other patterns of production, ideally on the basis of internationally agreed targets and criteria. Such change should offer the possibility of a self-sustaining world economic system in which imbalances and inequities between rich and poor countries would decrease.

22. The second element was that of a new world production system, supported by appropriate international

structures for monetary arrangements and international trade and by adequate resource flows.

23. A third element might comprise measures to assist all peoples and Governments in their efforts to eradicate extreme poverty and to reach agreed minimum standards to ensure the satisfaction of basic needs. The net result of those three elements would be a set of structural policies contributing effectively towards the implementation of the economic and social rights viewed in the International Covenants on Human Rights as a necessary corollary to the enjoyment of political and civil rights.

24. Policy discussions among industrialized countries in the European Economic Community, OECD and other bodies indicated that the difficult but crucial issues of structural change at a time of considerable economic and social strain throughout the industrialized world were at the centre of their consideration. Although the subject of structural change had not been specifically included in the results of the Conference on International Economic Co-operation, the Conference could be regarded as a step forward in the process of growing political concern for structural change in the present international economic system. It was in that perspective that his Government welcomed the results of the Conference.

25. The time had come for the international community to undertake the actual implementation of its commitments, which was the ultimate test of their value. The international community should use the remainder of the present Development Decade to build upon the results of the seventh special session of the General Assembly, the fourth session of the United Nations Conference on Trade and Development and the Conference on International Economic Co-operation and to negotiate a number of key structural reforms.

26. The negotiations on the implementation of the Integrated Programme for Commodities and early agreement on a common fund for financing commodities buffer stocks could be regarded as a test case for progress. His Government reiterated the position it had taken in UNCTAD on that issue and looked forward with renewed confidence to the success of the United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities, which was to resume its work in November 1977. The increased prospects of agreement on such a fund in the foreseeable future were a hopeful sign.

27. The Conference on International Economic Co-operation, in Paris, had opened up new prospects with regard to the debt issue. Discussions in that area had proved that the debt problems of developing countries could no longer be viewed only on a case-by-case basis. The follow-up of the debt issue in UNCTAD and the IBRD/IMF Development Committee could provide a more structured approach.

28. An important area of substantive agreement at the Paris Conference had related to the volume of official development assistance and the decision on special action for an additional transfer of resources to the poorest

countries. That agreement should be implemented forthwith.

29. A further field of particular importance for structural change was that of international trade. The Secretary-General had rightly raised the question of the effect of the stagnation of the multilateral trade negotiations on the long-term interests of developing countries. His delegation shared the feelings of disappointment in that respect. Protectionism had to be avoided at all costs. The multilateral trade negotiations should have gained more prominence as an instrument for structural change with far-reaching implications for industrialization, investment and trade patterns throughout the world. They should form a basic element in the attainment of the long-term target for industrial production in developing countries as established at the Second General Conference of UNIDO, held at Lima in 1975. The growing industrial output of the developing countries had to be complemented by export promotion and market research. UNDP, the International Trade Centre UNCTAD/GATT and UNIDO could give valuable support to efforts in the field of export promotion and market research.

30. The Conference on International Economic Co-operation had almost reached agreement on a further area of concern in which action was needed: that of international investment, a field in which the interests of developed and developing countries increasingly converged.

31. Yet a further area for action was that of the implementation of policies in the agricultural sector. The establishment of IFAD, the recent action by the World Food Council on food security, as also action in the International Wheat Council, were promising developments of which the international community should take advantage. Structural improvement in agriculture lay at the heart of any basic needs strategy.

32. Lastly, energy was an overriding structural issue of profound importance for the future of the world economy and an essential element of the new international economic order.

33. Structural change in the world economy should go hand in hand with policies for meeting basic needs and eradicating mass poverty throughout the developing world. Development basically concerned people, direct measures on whose behalf had to form an essential part of structural policies in the pursuit of a new international economic order. The directing of international and national development efforts towards meeting the basic needs of millions of people in food, shelter, water, health and education should be vigorously pursued.

34. His delegation looked forward with interest to the inter-agency work to be carried out under the auspices of ACC with a view to establishing a global framework for analysing the objectives and main policy components of a development strategy directed towards basic needs. The ILO was giving particular attention to the development of that global framework and he hoped the results of the work would shortly be placed before Governments.

35. The implementation of the policies and resolutions for the establishment of a new international economic order called for leadership within the United Nations system. The follow-up of the results of the Conference on International Economic Co-operation would have to be pursued in the organs of the United Nations system, whose strengthening and restructuring should be carried through energetically. The discussions in the *Ad Hoc* Committee on the Restructuring of the Economic and Social Sectors of the United Nations System had shown that progress in that area should be related to progress in the substantive field. It was necessary to break away from procedures and structures that inhibited the effectiveness of international organizations as instruments for change.

36. There was now general agreement on the need to strengthen the role of the Economic and Social Council, which must deal with the central and urgent questions of the management of the world economy: trade and commodities, finance and development, and human rights. Without encroaching on the specific competence of the specialized agencies, the Council should take up such matters at sessions devoted to specific subjects at a sufficiently high political level and, when necessary, at the ministerial level. It should set in motion negotiating processes adapted to the particular requirements of each case and each subject.

37. The nature of the international development effort made it necessary for any assistance and advice to be given by the components of the United Nations system in a multidisciplinary and well co-ordinated manner. Although ACC, the Committee for Programme and Co-ordination and UNDP endeavoured to contribute to such co-ordination, the over-all picture was not completely satisfactory. The decision of the Governing Council of UNDP at its twenty-fourth session on the role and activities of UNDP (see E/6013, para. 139) was a step in the right direction, which should be strongly endorsed by the Economic and Social Council.

38. His Government was convinced, for three reasons, of the need to prepare a new development strategy to cover the remaining two decades of the century. Firstly, there was an urgent need to analyse the causes of the failure to implement the current strategy and to learn from them; secondly, more analysis and research on the elaboration of new concepts and ideas was needed to provide a coherent framework for a strategy for the establishment of a new international economic order; and, lastly, the basic interdependence of the developed and the developing countries required the elaboration of new objectives and policies to reflect the reality that the growth of the North and that of the South were closely linked.

39. The nature of the new strategy should differ from that of the strategy for the present decade. Firstly, it should give a central place to the orientation of development towards meeting the basic needs in developing countries. Secondly, it should be directed not only towards the development of the third world but towards the development of the world as a whole and towards structural changes within countries and relations between them. Development co-operation and management of the world

economy were inextricably linked. The interests of the developing and the industrialized countries were therefore inseparable. There had been a real interdependence of various parts of the world in recent years. Thirdly, the new strategy should be directed towards the utilization of diversified policy instruments to take account of the economic differences between countries within the third world. Lastly, the new strategy should be more ambitious and more binding. The necessary changes to be carried out in the production sectors of countries, including those of the industrialized world, should be taken into account.

40. His delegation hoped that the Council at its present session would take the first set of procedural and substantive decisions for the preparation of a new strategy for submission to the General Assembly at its thirty-second session. Preliminary work and projects under way in many parts of the United Nations system would provide an important input in the new strategy. The specialized agencies and the regional commissions had a special role to play in that process. His delegation therefore strongly supported the initiative of ACC in establishing a Task Force on the development objectives of the United Nations system to co-ordinate the efforts of the system and provide the necessary leadership. His Government was prepared to contribute financially to the preparatory work both in the United Nations system and in the many private research institutes in the developing and the industrialized world.

41. The commission of high-level political personalities, proposed by the President of the World Bank, would play an important part in the preparations for a new strategy. Its task would be to convince political leaders and public opinion in North and South of the need for new joint efforts for development based on common interests.

42. In long-term strategies, sight should not be lost of the need for the international community to respond promptly and effectively to emergency situations that disrupted planned development and affected particularly the poorest strata of the population of the countries concerned. Over the past few years, the Netherlands had advocated action by the Council to provide for a co-ordinated response by the United Nations system to help countries in such situations back on to the road to development. His delegation hoped that the Council at its present session could set in motion the implementation of such an approach by the United Nations system.

43. The Council and the United Nations system as a whole should embark on a process which could bring the new international economic order closer to reality in the 1980s. Only such action could justify the belief that the situation in 1977 was not without hope.

44. Mr. JANKOWITSCH (Austria) said that the discussion of the manifold aspects of the question of the establishment of a new international economic order was increasingly influencing international economic debate. It was encouraging to see that a problem which had for years been relegated to debate among a limited number of experts and considered to be of largely technical interest was now accorded high political priority and occupied political decision-makers at every conceivable level. As

before, it continued to profit from the active involvement of the world academic community. Studies such as the report to the Club of Rome by Mr. Jan Tinbergen, a Nobel prize winner, on reshaping the international order,²⁰ and the study on the future of the world economy, prepared under the auspices of the United Nations by Professor Leontief, another Nobel prize winner, could provide valuable support to the discussions and deserved thorough examination by Governments of both developed and developing countries. The message of both reports was largely one of hope. For example, one of the conclusions of the Leontief report was that no insurmountable physical barriers existed in the twentieth century to the accelerated development of the developing regions.²¹ Austria was prepared to participate actively and constructively in the debate on ways and means of attaining the legitimate goals for more equitable economic relations and a concomitant reduction of glaring inequalities.

45. The general awareness of the need for change had recently increased in both developing and developed countries and had been expressed in a number of international documents. The framework for action and further negotiation had been set by the guiding principles of the International Development Strategy, the resolutions adopted by the General Assembly at its sixth and seventh special sessions, the Charter of Economic Rights and Duties of States and the Declarations and Plans of Action adopted by the United Nations Conferences on the environment, population, industrialization, food, the status of women, human settlements and water. Additional impetus had come from the Fifth Conference of Heads of State or Government of Non-Aligned Countries, held at Colombo in August 1976, and the Conference on Economic Co-operation among Developing Countries, held at Mexico in 1976. Finally, almost all major issues of international economic and social co-operation had been discussed in detail at the Conference on International Economic Co-operation, held in Paris. Despite lack of agreement on a number of important points, the latter Conference had played a useful role in creating a deeper understanding of some issues of extreme complexity and stabilizing and reinforcing the positive climate of dialogue between developing and developed nations.

46. The discussion of the global issues of international economic and social co-operation was now to return to the forum best suited to respond to the intricate problems raised by a world of interdependent States, namely the General Assembly, where all countries could voice their concern, propose solutions and join in common action.

47. A decisive stage had been reached in the common endeavour: that of the follow-up of the principles, guidelines and mandates adopted at those recent gatherings and their translation into specific policy measures. At that difficult stage, political will was called for as much as imaginative thinking and understanding, from both developed and developing countries. Accelerated development,

²⁰ J. Tinbergen, A. J. Dolman and J. van Ettinger, *Reshaping the International Order: a report to the Club of Rome* (New York, E. P. Dutton & Co., Inc., 1976).

²¹ W. Leontief *et al.*, *op. cit.*, p. 11.

leading to a substantial reduction of the gap between rich and poor countries, could be achieved only through internal changes of a social, political and institutional character, and a reform of the world economic order. It was the duty of States Members of the United Nations to find equitable solutions to the many problems.

48. His delegation welcomed the growing attention being given to the concept of "basic needs" since the World Employment Conference. The very basis of development lay in the satisfaction of the basic material needs of the hundreds of millions who were deprived. His delegation therefore agreed with the Director-General of the International Labour Office (2067th meeting) that the basic needs strategy was not the reflection of a passing phenomenon, but that the concept was one which each country would have to define and refine, with due regard to the inevitably variable factors affecting its development.

49. The satisfaction of basic needs must be combined with measures aimed at the eradication of poverty. According to the World Bank, nearly half the world's population lived in relative or absolute poverty. The report of the Committee for Development Planning on its thirteenth session (E/5939 and Corr.1) had drawn attention to the immensity of the problems facing the low-income countries, where much of the population of the developing world lived. When preparing the new development strategy for the 1980s, the international community must find urgent solutions to those problems and thus give concrete expression to a concept of development endorsed by his delegation, the improvement of the welfare of all segments of the population. An important aspect of any strategy devoted to the well-being of man consisted in the protection of the individual as a user of goods and services. His delegation had therefore noted with interest the ACC report entitled "Activities of the United Nations system related to consumer protection" (E/5996) and saw merit in a closer involvement of the United Nations system in questions related to consumer protection.

50. The fundamental importance of infrastructure development in the developing countries as an essential precondition for economic growth and social progress had been repeatedly emphasized. The Federal Chancellor of Austria had put forward specific ideas concerning a major multilateral programme to assist developing countries in accelerating their infrastructure development, especially in times of mounting debt burden and persistent balance-of-payments difficulties. The Austrian delegation had outlined those proposals at the sixty-first session of the Council and at the thirty-first session of the General Assembly and had been encouraged by the positive response received, especially from developing countries. It was therefore glad to note that agreement had been reached at the Conference on International Economic Co-operation to explore with developing countries the kinds of action which could be appropriately taken to give them timely access to infrastructure goods produced by the industrialized countries and that the developed countries would consider possible measures for providing priority treatment in financing and supplying of equipment and services for infrastructure products in developing countries. It had also noted with interest resolution 291 (XIII) adopted by the ECA Confer-

ence of Ministers on a transport and communications decade in Africa (see E/5941, p. 63) and the recommendation made by the Conference on International Economic Co-operation that the Secretary-General of the United Nations should arrange for a conference to be held in Africa in 1978 to help to define the objectives of that decade, ways to mobilize efforts and means to achieve them. In view of those proposals, his delegation would be particularly interested to know the Secretary-General's intentions with respect to the proposed conference in Africa. It hoped that he could submit a comprehensive report to the General Assembly at its resumed thirty-first session in September 1977 and that at that session or the thirty-second session an appropriate opportunity would be provided for a more detailed examination of that fundamental question.

51. Another point of great interest to his delegation was the growing importance of science and technology for the process of development and, in particular, the United Nations Conference on Science and Technology for Development, which was to take place in 1979. As was stated in Council resolution 2028 (LXI), that Conference should be devoted primarily to ways and means of applying science and technology in establishing a new international economic order, and to strengthening the technological capacity of the developing countries. In line with those basic objectives, national and international endeavours should be geared to redress existing disparities, imbalances and inequalities, and to build up the scientific and technological infrastructure in developing countries in order to enable them to apply science and technology more effectively for their own development. His delegation hoped that the preparations for the Conference would be vigorously pursued in the months ahead. Austria was prepared to contribute to its success and, in particular, to act as host to the Conference at Vienna, because to hold the Conference in a small industrialized country would emphasize the co-operative effort required on the part of the developing, as well as the developed, countries, in order to deal most effectively and jointly with all the problems of development to which science and technology offered promising answers.

52. Another point to which his delegation attached particular importance was that of energy, which had been in the forefront of international discussions for some years. A margin of consensus was gradually emerging on important points: the transition from an oil-based energy mix to more permanent and renewable sources of energy, energy conservation and the increased efficiency of energy utilization, the need to develop all forms of energy and the urgency of international co-operation in the energy field. There were many unresolved issues with regard to the form which such co-operation might take and further debate would be required to clarify them and broaden areas of agreement. Such a debate could usefully be conducted within the framework of the United Nations, in view of the fact that many of the energy problems could not be resolved in isolation but would have to be examined in a more general context of development and international economic co-operation. The point of departure for such a debate might be a careful assessment of existing machinery. A number of United Nations and other international bodies

were already actively engaged in dealing directly or indirectly with energy matters.

53. Another area of emphasis in any debate on energy would probably be the strengthening of international co-operation in the development of new and unconventional sources. The need for such co-operation had prompted Austria and other countries to take the initiative which had finally led to the adoption of Council resolution 2031 (LXI) on research and development in non-conventional sources of energy. His delegation had noted with particular interest the proposal of the representative of Kenya on the holding of an international conference on new renewable sources of energy,²² and hoped that further consideration would be given to it under agenda item 16 (Natural resources).

54. There was no lack of useful concepts for attacking problems of development, but efficient structures were also needed. His delegation therefore continued to attach particular importance to the work of the *Ad Hoc* Committee on the Restructuring of the Economic and Social Sectors of the United Nations System. His delegation would like to see the Council so strengthened that it could truly serve as the central forum for the discussion of international economic and social issues of a global or interdisciplinary nature, and for the formulation of policy recommendations thereon addressed to Member States and to the United Nations system as a whole.

55. Mr. DALE (International Monetary Fund) reminded the Council that, in his statement at its sixty-first session, the representative of IMF had said that the process of economic recovery in the industrialized world rested on a solid foundation but that important problems remained to be solved and that there was therefore a need for cautious aggregate demand management, particularly in view of uncertainties about the margin available to provide for additional employment.

56. That broad assessment continued to be valid, despite a slow-down in the rate of economic expansion in the industrialized world during the second half of 1976, which had raised doubts about the strength of the recovery and the appropriateness of existing policies. Those policies had, in fact, been generally prudent and in the first half of 1977 growth rates in several important industrialized countries had begun to recover. With the exception of that slow-down, the performance of the world economy in 1976 had been quite favourable. Progress had been made in many parts of the world towards a revival of economic growth and a moderation of inflation rates, and the volume of world trade had increased rapidly after its sharp drop in 1975. The problems of the persistence of high rates of unemployment and inflation, however, and the concern over the distribution of external payments imbalance remained. In the short run, there was not much scope for overcoming those problems. Caution in the design of economic policies was more necessary than ever to ensure that the world economy consolidated and benefited from the progress made.

57. The policy choice before many countries was difficult. Because the outcome of that choice would be of overriding importance to world economic welfare, he had decided to make the relationship between adjustment and economic growth the main subject of his statement.

58. The staff of IMF had recently prepared short-term projections of the main economic variables for 1977 and early 1978 for broad groups of member countries. According to those estimates, output in the industrialized countries had begun to recover from the slow-down in late 1976 and was expected to rise at an annual rate of about 5 per cent during the rest of 1977 and into 1978. An encouraging, if still somewhat uncertain, factor was that fixed investment was replacing private consumption as the main force propelling the recovery. In contrast to the recent past, a much smaller proportion of the expected increase was due to inventory accumulation. The situation and prospects in the labour markets remained unfavourable. The over-all rate of recorded unemployment was only slightly below its recession peak in late 1975 and no substantial improvement was expected for the coming year. Structural factors might be partly responsible for that situation, but the increase in unemployment in 1975 had been primarily cyclical and the relatively subdued growth of output and continued inflation were the major reasons for the lack of any significant decline in unemployment. Inflation prospects were less clear, but it was likely that in 1978 the rate of inflation would continue to range between 6 and 7 per cent.

59. That global picture masked important differences among individual industrialized countries, the most relevant of which was that the best performance had occurred in the countries that had been most resolute in fighting the severe inflationary pressures that had emerged in 1974—the Federal Republic of Germany, Japan and the United States of America—whereas in other countries, such as France, Italy and the United Kingdom, adjustment had been less prompt. Although the industrialized countries' aggregate current account was expected to be nearly balanced in 1977, individual payments imbalances were still prevalent. A number of deficit countries had implemented restrictive demand management policies in 1976 in order to control inflation rates and attain external balance. As a result, substantial declines were expected in their current account deficits in 1977. The current account deficits of the smaller industrialized countries, in contrast, were expected to be little changed from 1976, and countries in current account surplus had indicated their willingness to see those surpluses reduced.

60. Aggregate economic developments for 1977 in the non-industrialized countries were somewhat mixed. In oil-exporting countries, domestic prices were expected to accelerate from an already high level and growth rate would decline considerably. Their current account surplus might show a small reduction of \$2,000 million. Those prospects reflected a somewhat more expansionary policy in some of those countries and an expected slow-down in the rate of oil production. The global outlook for the non-oil primary producing countries was expected to show some improvement. High growth rates were forecast; inflation, although it would remain high, was expected to be brought more

²² E/C.7/L.71/Rev.1.

under control and their aggregate current account deficit would decline by \$2,500 million in 1977. There again, there were important differences among the countries.

61. The prospects were not encouraging for the more advanced primary producing countries; price increases continued at a high level, real economic growth rates were not likely to revive and the expected current account deficit of \$12,500 million was still about twice the size in real terms of the 1967-1972 average. Those prospects might be attributed to the slowness of several countries in adjusting to the inflationary forces that had emerged in 1974 and to the recession in 1975. Some might have aggravated their imbalance by seeking to sustain economic activity through expansionary demand policies. Sharply enlarged current account deficits had been financed by heavy recourse to international financial markets. Recently, some of the countries had adopted restrictive fiscal and monetary policies to contain their demand and import growth. In some other countries, however, domestic demand conditions appeared not to be conducive to internal or external adjustment. After nearly four years of strong foreign borrowing, their international financial position seemed strained and their ability to postpone further adjustment might be seriously diminished.

62. The economic situation of the non-oil developing countries was now less disturbed by the economic upheavals in 1974-1975. Their current rate of growth was close to the 1967-1972 average; they had also had some success in cutting back inflation rates and their aggregate current account deficit, forecast as \$25,000 million for 1977, was not substantially different in real terms from the average in the 1967-1972 period. Individual performances also differed markedly among countries in that group.

63. Internal and external adjustments had progressed rapidly in two regions: Asia, and Latin America and the Caribbean. The Asian countries had adopted some of the earliest and most effective stabilization programmes in response to the oil price increase and the international recession. They were expected to record the strongest growth rates in 1977 among the non-oil developing group; they had the lowest inflation rate in any developing area and were now well positioned for a strong forward momentum in 1978. The Latin American and Caribbean countries had initially tried to sustain economic activity by expansionary financial policies. When that had led to an acceleration of inflation and growing external imbalances, many countries in the region had adopted restrictive policies. The impact of prudent financial policies, favourable crops and higher export prices in the external position of those two regions had been remarkable. Together, they accounted for the whole of the \$13,000 million reduction in the total current account deficit of the non-oil developing countries from 1975 to 1977.

64. Economic conditions were least favourable in the non-oil developing countries of the African and Middle Eastern regions. Growth rates remained unsatisfactory, inflation was still unduly high and the current account deficit continued at its 1975 peak. That suggested that the countries in those areas had adjusted only minimally, if at all. The absence of corrective domestic policies cast a

shadow over their present economic performance and their prospects of recovery in the near future.

65. That review of the 1977 economic outlook illustrated the structure of international payments that had developed since 1973; the oil-exporting countries had become the major surplus group, while the usual over-all current account surplus of the industrialized countries had virtually disappeared. The non-oil primary producing countries continued in their traditional role of net capital importers and aid receivers. The industrialized countries were acting as financial intermediaries to channel surplus funds from the major oil-exporting countries to the non-oil primary producing countries. The shift of the surplus in the current account of the balance of payments from the industrialized to the oil-exporting countries was not in itself a cause for alarm. There was ground for concern, however, about the distribution of surpluses and deficits among countries, because such distribution could affect the performance of the world economy and the international monetary system.

66. The non-oil-exporting developing countries as a group faced a somewhat higher current account deficit in 1978 than was in prospect for 1977. Although it should not unduly strain their ability to attract flows of capital and aid, the sources so far used to finance current account deficits gave rise to some concern. While much of that external financing was of a short-term nature, there were indications that more reliance was being placed on medium and long-term funds. A major change in balance-of-payments financing had been the growing importance of borrowing from commercial banks. By channelling funds from surplus to deficit areas, the banks in industrialized countries helped to maintain the level of world trade and economic activity, but the "recycling" of funds had caused widespread concern because of uncertainty about its stability and permanence. It was noteworthy, in that regard, that a large part of developing countries' borrowing was still being used to build up safer levels of international reserves.

67. Strategies for adjustment had to vary with the particular position of countries. The process of reducing the current account surplus of the oil-exporting countries was likely to take several years, during which it was important that they should endeavour to place their surplus funds in stable, long-term investments. Available evidence suggested that their foreign assets were being diversified and their maturity structure lengthened. The financial assistance they provided to other developing countries was also expected to increase.

68. Oil-importing countries would need to place greater emphasis on energy conservation and on the development of alternative energy sources. Little could be done in the short term to reduce their total current account deficit, but they should aim at distributing it in a sustainable way. Those that were already in a strong external position could contribute to the adjustment process by allowing their surpluses to be reduced and by continuing to provide aid and long-term assistance to deficit areas; those with excessively high deficits would need to strengthen their current accounts in order to keep foreign borrowing on commercial terms to sustainable levels.

69. The adoption of effective adjustment programmes was always politically difficult. Governments often felt that they were faced with a choice between inflation and a balance-of-payments deficit, on the one hand, and growth in order to eliminate social injustice and reduce unemployment, on the other. The dilemma was, however, more apparent than real. The experience of IMF in recent years showed that appropriate adjustment policies, far from being necessarily detrimental to long-term growth and employment, could provide the basis for sounder and more sustained economic development. Recent experience indicated that it was difficult in an inflationary environment to raise the savings and investment rates needed to achieve satisfactory growth and reduce unemployment. Public sectors, which were the largest investors in many countries, needed to generate their own savings to finance their investment outlays without creating external imbalances and fuelling inflation. As far as private investment was concerned, it was no coincidence that its recent low levels had occurred at a time of high inflation, more effective control of which was essential if private savers and investors were to be offered adequate real rates of return.

70. Appropriate interest rate, price and exchange rate policies must also be adopted to channel all possible resources to the most productive activities. Public sector pricing policies, particularly in the developing countries, must aim at ensuring an appropriate relative price structure. Agricultural producer prices must be set at profitable levels to increase supplies to domestic and foreign markets, and undue subsidization of consumer prices, which encouraged the misallocation of resources, reduced public sector savings and worsened the financial position of Governments, should be avoided. Exchange rate policies would sometimes be necessary to bring about sustainable cost-price relationships among countries and allocate resources to export sectors. After transitional difficulties, an effective adjustment programme comprising all those elements would lead to an improvement in the balance of payments, reduced inflation and more satisfactory and sustainable economic growth rates.

71. Since the economic growth of the developing countries depended to a considerable extent on the promotion of their export industries, it was essential to ensure their access to the markets of the industrialized, the oil-exporting and the advanced primary producing countries. It was particularly important to keep that fact in mind in view of the protectionist pressures that had become apparent in a number of industrialized countries. Although they were understandable, given the present levels of unemployment, they must be resisted. He was confident that the problems caused by foreign competition would be overcome in the future, as they had been in many instances in the past, without impeding the free flow of trade.

72. The role of IMF in the adjustment process was central to its responsibilities. The gravity of the 1974-1975 disturbance in international payments caused by the increase in energy prices had made it necessary to give priority to the problem of financing the imbalances in order to avoid reinforcing recessionary tendencies in the world economy and to preserve the most satisfactory levels of employment, development and growth that the prevailing

circumstances permitted. In order to make available the needed resources subject to relatively low or no conditionality, IMF had established the oil facility, which had provided assistance to the value of SDR 7,000 million to member countries during its two-year existence. The facility had been compensated by an interest subsidy account in favour of the neediest countries. At the end of 1975, the compensatory financing and the buffer stock facilities had been substantially liberalized to reduce the adverse impact of commodity price fluctuations. Since that time, drawings on the compensatory financing facility had amounted to an unprecedented total of SDR 2,500 million. Pending the increases in member quotas under the sixth general review, an interim arrangement had increased the access to Fund resources in the regular credit tranches by 45 per cent. In 1976, a Trust Fund had been established for the benefit of low-income member countries and was already in operation.

73. Now that the recession in the world economy was being overcome, emphasis had to be placed on the adjustments he had just analysed. Article IV of the new Articles of Agreement of IMF provided for an increase in the Fund's responsibilities in supervising the functioning of the international adjustment process and in exercising surveillance over exchange rate policies. He thought that the consultations that would take place under that Article and the already well-known ones under Articles VIII and XIV would enable the Fund to promote both policy co-ordination and adjustment among its member countries. Only in that way could the Fund's ultimate objectives of encouraging the expansion of world trade, maintaining high levels of employment and developing the productive capacity of all its member countries be attained.

74. IMF was vitally concerned to promote economic efficiency and growth on a sustainable basis. Thirty years of experience had shown that those objectives were best served by ensuring that adjustment, when needed, was effectively and speedily made. The forthcoming increase in quotas would make IMF better able to promote policies to that end. Programmes of the type normally supported by IMF resources were badly needed because of the contribution that the conditionality attached to their use made to the adjustment process. That conditionality was based on an assessment of the adjustment need itself and of how the adjustment effort should be phased. Policy instruments were then geared to the course of action indicated, with a view to eliminating the need over the medium term.

75. Negotiations were under way to establish a supplementary credit facility with resources borrowed by IMF from countries in strong external positions. They would be available to member countries facing payments imbalances large in relation to their economies and would be subject to a degree of conditionality appropriate to facilitating adjustment. Agreement had been reached to expedite the seventh general review of quotas, which was to be completed by February 1978.

76. He interpreted the willingness to increase both the responsibilities and the resources of IMF as an indication of the international community's desire to maintain and

enhance the role of IMF at the centre of the international monetary system for the benefit of all member countries.

77. Mr. GHAREKHAN (Observer for India), speaking at the invitation of the President, said that the medium-term trends emerging from the various appraisals gave no grounds for satisfaction with performance during the current Development Decade. There was a wide divergence in the situation of various groups of developing countries, reflecting the fact mentioned by the Secretary-General in his introductory statement that, while three quarters of mankind were developing, almost one half was desperately poor. The aggregate performance of the developing countries disguised the wide disparity between high-income countries rich in natural resources and low-income countries deficient in them. Thus, while the target of 6 per cent average annual growth of GNP in real terms set by the International Development Strategy had been attained by the developing countries as a whole during the first three years of the Second Development Decade, the average growth rate of countries with *per capita* incomes below \$250—representing more than half the total population of the developing countries—had been little more than 2 per cent. The corresponding figures for the period 1973-1975 were an average of 5.6 per cent for all developing countries but only 2.8 per cent for the low-income countries. The *per capita* figures for GNP revealed an even more striking disparity: the average increase for developing countries as a whole had been 3.5 per cent for the period 1972-1973 and 2.6 per cent for the period 1973-1975, the corresponding figures for the low-income countries being -0.3 per cent and -0.4 per cent. In evaluating the implementation of the International Development Strategy, attention should be focused on that divergence. It was necessary to rouse the conscience of the international community by making it aware of the destitution in which a large part of mankind continued to live, in spite of the goodwill shown by richer countries through international co-operation.

78. National efforts, which were undeniably the primary source of economic growth, must go hand in hand with international assistance. The poorer countries were endeavouring heroically to meet that challenge. The Indian Government had launched a massive programme to stimulate growth and eliminate poverty, placing the main emphasis on basic needs and the rural sector and accepting the necessity of depending on labour-intensive industries to ensure that economic growth increased employment.

79. With regard to international action to bring about a new international economic order, he agreed with the view recently expressed by the Secretary-General of UNCTAD that there was a strange contradiction between what the developed countries professed at a high political level and what was accomplished at the level of technical detail. During the current decade, those countries had made numerous declarations of their intention to liberalize trade on terms more favourable to the developing countries—for example, in the 1973 Tokyo Declaration, the Programme of Action on the Establishment of a New International Economic Order, the Integrated Programme for Commodities and the statements made at the London Economic Summit meeting of the major market-economy countries in May 1977 and the Conference on International Economic

Co-operation—but that declared political will had not manifested itself in practice, as experience in the commodity negotiations being held in UNCTAD and the multilateral trade negotiations taking place under the auspices of GATT demonstrated. A glaring example of the gap between profession and practice was the resurgence of protectionism in some of the major developed countries whose heads of Government had, as recently as May 1977, rejected protectionism in a joint declaration at the London Economic Summit meeting. If more rapid progress was to be made towards achieving the objectives of the new international economic order, it was essential for the developed countries to ensure that the will shown at the higher political levels permeated to the lower negotiating levels.

80. Although the results of the Conference on International Economic Co-operation were not very satisfactory as a whole, the Conference had brought about a clearer realization of the difficult prospects for energy and had emphasized the need for international co-operation in the exploration, diversification and development of energy resources. There had also been agreement to soften the terms of official development assistance, and one major developed country had announced its intention to more than double its assistance over the next five years. The developed countries had also taken a step forward on the Integrated Programme for Commodities and the common fund but, regrettably, no solution had been found to the major problem of the indebtedness of the developing countries. Although it was only a minor advance, the special action programme of \$1,000 million to assist the poorer countries deserved some appreciation. The modest results achieved at the Conference should be viewed as part of an on-going North-South dialogue which, he hoped, would keep alive the spirit of co-operation that had prevailed at the Conference.

81. Mrs. WILLNER (International Organization of Consumers Unions), speaking at the invitation of the President, said that the report of ACC on activities of the United Nations system related to consumer protection (E/5996) reflected a growing awareness on the part of both developing and developed countries of the grave imbalance between producers, suppliers and distributors, on the one hand, and consumers, on the other. The technical sophistication of modern consumer goods precluded rational choice and there was inadequate provision for protection against dangerous products or redress for deficiencies in goods and services, particularly in the poorest countries.

82. A United Nations expert in the field had reported not only cases of shoddy clothing and footwear being offered for sale but numerous instances of skin, eye and digestive disorders caused by sub-standard products and toxic dyestuffs, as well as several fatal accidents due to defective brake-lining replacements. Electrical goods were notoriously dangerous, locally produced goods were often labelled as imported, there was no legal protection against false claims, no regulation of loans and hire purchase and no provision for redress from a manufacturer. In addition, goods that did not meet the quality requirements of the country of production were often dumped in underdeveloped areas. Poor people often incurred ruinous debts

by entering into agreements whose terms they did not understand. A report from a consumer association in another developing country mentioned similar practices, as well as a lack of uniformity of weights, measures and prices, which led to fraud and extortion.

83. The European Economic Community had recently decided to strengthen its consumer protection services to redress imbalances detrimental to consumers. The United Nations system, as noted in the ACC report, was actively involved in consumer protection, as instanced by the proposed WHO programme for monitoring dangerous substances in pharmaceuticals, the Codex Alimentarius and various activities being conducted by FAO, UNIDO, UNCTAD and WIPO, but ACC noted the absence of any comprehensive consumer protection policy and of any efforts to co-ordinate United Nations work in that important area. In the view of the organization she represented, the present need for legislation to protect consumers was as great as the need for legislation to protect workers had been in the late nineteenth century.

84. The growth of international trade had increased the need to harmonize basic minimum standards, promote

consumer legislation, and improve the international exchange of information on consumer products, as had been recognized by ESCAP in its training programme and by the ILO in its study on consumer protection.²³

85. Consumer protection was no longer of peripheral concern to a small group of middle-class people in industrialized countries; it was a matter of great concern to developing countries, since it was an essential element in the improvement of living standards. She hoped that the Council would recognize the need to extend and co-ordinate United Nations activities in that field and that it would decide to request a further study by the Secretary-General or an expert group to build on the excellent foundations laid by the ACC report and to make recommendations for further action.

The meeting rose at 1 p.m.

²³ International Labour Office, *Study Guide on Consumer Protection* (Geneva, 1974).