

1901st meeting

Thursday, 4 July 1974, at 10.40 a.m.

President: Mr. A. KARHILO (Finland)

E/SR.1901

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (E/5479, E/5486, E/5490, E/5502, E/5517, E/5521 and Add.1-3, E/5532 and Corr.1)

1. Mr. PETERSON (Administrator, United Nations Development Programme) said that at its recent session the Governing Council of UNDP had reached useful decisions with regard to the role of UNDP in supporting the goals of the Programme of Action on the Establishment of a New International Economic Order. There had been a consensus of opinion in the Governing Council that the resolutions adopted at the sixth special session of the General Assembly had strengthened the role and heightened the responsibility of the United Nations system in achieving a more equitable economic world order, that no new order would be achieved until low-income countries acquired intellectual and technical mastery over their own development, and that emerging forms of international co-operation offered previously unrecognized means of accelerating economic and social progress even in the poorest countries. The Governing Council had taken prompt action to increase the flexibility of UNDP and to take advantage of new opportunities for expanding the volume of technical assistance.

2. The sixth special session of the General Assembly had re-affirmed the need for joint action to solve common problems. The Executive Secretary of ECAFE had appealed to the Governing Council for a flexible commitment of regional resources and had drawn attention to the serious trade deficit in Asia due to the high price of petroleum and the sharply rising costs of essential goods from the industrially advanced countries. The interdependence of nations was daily becoming manifest and the many special conferences which were being organized by the United Nations offered an opportunity for common endeavours. Governments were increasingly turning to the United Nations as their one means of united action.

3. There was general agreement on the need for extensive assistance to the countries which were suffering most in the present economic situation. UNDP had provided senior staff for the new programmes launched by the General Assembly and was increasingly placing its field offices at the service of international efforts to assist countries stricken by disaster. The General Assembly's Declaration and Programme of Action, however, were not directed merely to a short-term recovery effort but to the achievement of a global economic and social order permitting orderly progress by all nations. The underlying premise of such an order was dynamic co-operation among nations exercising sovereignty over their own economic and social progress, particularly sovereignty over their natural

resources. It was impossible for a nation to exercise that fundamental right unless it had the technical capacity to determine the best use of its resources for the benefit of its people. Assistance in building up such skills had long been a priority demand on UNDP and its predecessor organizations. As developing countries made progress in those fields, there was a demand for country programmes to include projects in advanced areas of science and technology, industrial processing and export promotion. On the other hand, considerable new efforts were required to attack the root causes of poverty; UNDP was therefore giving priority consideration to the needs of the least developed countries and others with a low *per capita* income. The Governing Council had endorsed the trend towards greater emphasis on the social sector and projects aimed at assisting the poorest sectors of society. Technical co-operation had thus proved capable of meeting a wide range of needs.

4. The Governing Council had taken steps to improve the performance of United Nations international development machinery. Regional indicative planning figures had been allocated for the 1977-1981 development cycle so that developing countries, particularly those with substantial increases in their indicative planning figures during that cycle, could begin to plan appropriate projects forthwith. Moreover, countries which had funds over from their current allocations would be allowed to carry them forward into the next cycle and no nation would be required to give up any of its UNDP allocation. The new flexibility between programme cycles would be particularly useful to the least developed countries which were scheduled to receive the highest increases in programme budgets for the next cycle but which had not been able to use up the resources allocated to them during the current cycle.

5. The Governing Council had also taken decisions designed to promote flexibility in the use of additional special funds. Guidelines had been provisionally approved for the United Nations Revolving Fund for Natural Resources Exploration and it was proposed shortly to appoint a Director of the Fund. It was hoped that that programme would secure the necessary contributions; although it would not be self-sustaining for a considerable time, there might eventually be a range of self-financing international programmes in economically productive fields.

6. The Governing Council's endorsement of proposals for the United Nations Capital Development Fund would provide badly needed grants or credits for small capital investments in promising productive enterprises, of which there was a substantial list in lower-income countries awaiting investigation. The Governing Council had authorized the use of UNDP's general resources to assist colonial countries and peoples and had approved the establishment

of a trust fund which would make it possible to utilize a number of offers of contributions for projects to assist liberation movements in Africa. UNDP continued to maintain close contact with OAU.

7. One sign of the new economic order was the growing co-operation among developing nations, a traditional field of UNDP activities. Recently, the growing reservoir of technical knowledge in those countries had provided new sources of experts with up-to-date knowledge and deep understanding of development problems. The Working Group on Technical Co-operation among Developing Countries had presented a report on the subject¹ to the last session of the Governing Council. As a result, a special unit was to be created within UNDP to facilitate the exchange of information and to promote new forms of co-operation. Furthermore, resident representatives had been given the responsibility of assisting efforts of individual countries to participate in sub-regional, regional and interregional programmes. The Governing Council had also proposed stronger ties with the regional economic commissions and had encouraged their participation in the planning and execution of regional projects. A close working relationship had already been established between ECA and the UNDP regional representative in Addis Ababa.

8. The growing willingness of developing countries to contribute to each other's progress had been shown by a number of OPEC member countries which were embarking on substantial assistance programmes of their own in addition to being ready to participate fully in multinational work and to assume the status of net contributors to UNDP. UNDP, for its part, was prepared to make available to them its experience in project planning and implementation.

9. In view of the fact that the nature and modalities of technical co-operation were rapidly changing, the Governing Council had discussed suggestions which went beyond the traditional forms of technical assistance, while keeping in mind the basic aim of improving the skills of the recipient country. It was evident that, as had been the case in the current decade, new problems and challenges would emerge in the 1980s. In its efforts to determine the future shape of technical co-operation, UNDP would draw upon its past experience of development practices in nearly 120 countries and upon the in-depth study of its country programming which was under way. He had welcomed the proposal to convene a meeting of ministers and senior officials responsible for development co-operation in both recipient and donor countries. Meeting in conjunction with the summer 1975 session of the Governing Council, they could provide helpful direction in the planning of technical co-operation for the next decade. Such a meeting might make a constructive contribution to the 1975 special session of the General Assembly, which was likely to prove of outstanding importance to the global development effort.

10. Mr. FRAZÃO (Brazil) said that the Economic and Social Council was meeting at a uniquely complex and

challenging moment in contemporary economic history. It was evident from the Secretary-General's review of salient features of the world economy (E/5521, chap. I), that the events of the previous 12 months had exacerbated trends which had already been detectable in July 1973, when the Council had conducted the first review and appraisal of the International Development Strategy. Although in 1973 there had been a general increase in output of 6.7 per cent and an above-average over-all performance by the developing countries, the cycle of global economic growth had passed its peak. Economic performance among developing countries had varied significantly; in particular, the pace of industrial growth in African countries members of ECA had slackened, while, for the second consecutive year, there had been reduced harvests in that continent owing to drought. The improvement in the terms of trade for commodities had been considerably offset by currency depreciation, monetary instability and inflation exported from the developed countries. Furthermore, the prices of foodstuffs exported by those countries had risen more rapidly than foodstuffs sold by the developing countries.

11. One of the most striking features of the world economy in 1973 had been the increase in petroleum prices, the initial impact of which had been more easily absorbed by the developed economies. The economies of petroleum importing developing countries were much more vulnerable because their investment growth rate largely depended on their external sector, and their terms of trade were now penalizing their imports of capital goods, essential raw materials, services and commercially acquired technology.

12. Another feature of the world economy in 1973 had been generalized inflation in developed market economies which had been largely financed by its transfer to the already hard pressed developing countries. The outcome would be an increase in the external indebtedness of the developing world unless the world economic community devised measures to shield all its members from the impact of current economic trends. It was to be hoped that the anticipated deflationary measures in the industrialized countries would not take the shape of restrictive commercial policies and greater restrictions on the flow of capital resources to the developing countries.

13. The international community's first concern at the present juncture should be to establish co-operative schemes based on a careful investigation of areas of coincidence and convergence of interests. The members of the world community were acquiring a pragmatic sense of interdependence and his Government was convinced that the world community would be capable of implementing a global strategy for over-all development and prosperity. Although far from perfect, the International Development Strategy, with its quantitative targets and qualitative parameters, had been a great step forward. The sixth special session of the General Assembly had taken over the work of review and appraisal started in 1973 and had opened up new horizons in adopting the Declaration and Programme of Action on the Establishment of a New International Economic Order. It now lay with the United Nations system, under the policy guidance of the Council, to translate the principles and broad directives laid down by

¹ UNDP, document DP/69.

the General Assembly into a comprehensive, well-articulated strategy, with tasks and targets clearly defined and supported by a substantive pluri-annual programme which would link the whole United Nations system in a single interdisciplinary operation. That should be the primary task of the Council, and the expected adoption of the Charter of Economic Rights and Duties of States, the mid-term review of the International Development Strategy and the further elaboration of the Declaration and Programme of Action should all be viewed as stages in a process which would culminate in 1975 in the special session of the General Assembly devoted to development and international economic co-operation.

14. The study by the Group of Eminent Persons to Study the Impact of Multinational Corporations on Development and on International Relations (E/5500/Add.1) had been issued at a time when the international community was in need of an unbiased, balanced and constructive appraisal of the instruments for economic development and expansion at its disposal. His delegation, fully aware of the significance of the issue of multinational corporations, was of the opinion that the Council should consider the subject at five-yearly intervals, or more frequently, and that the task of advising the Council, through either an *ad hoc* body or a permanent commission, should be performed by government representatives, on the basis of a clear mandate. Should the Council opt for permanent machinery, which would have as its first task review of the recommendations set out in document E/5500/Add.1 (part I), he wished to express his delegation's concern about possibly premature action by the international community in the direction of establishing a general agreement on multinational corporations along the lines of GATT. The Council's first concern should be to collect and evaluate sufficient information to provide a basis for decisions by the international community. Such decisions should, during an interim period at least, normally take the form of possible recommendations which could gradually evolve into a *de facto* code of conduct. Such developments could be greatly facilitated by the creation of a research and information centre, as recommended by the Group of Eminent Persons. Experience could lead to more complex and legally-binding instruments, without prejudice to the sectoral arrangements resulting from negotiations in process or envisaged within the United Nations system. Referring to paragraph (d) of the proposed terms of reference of the commission on multinational corporations (E/5500/Add.1 (part I)), he expressed doubts about the wisdom of placing the "work leading to the adoption of specific arrangements or agreements in selected areas" in the hands of a commission, thus by-passing the specific and pragmatic experience of sectoral bodies and their accepted jurisdiction. The work referred to in that sub-paragraph should be undertaken by the Council itself and, under its over-all policy guidance, by other organs of the United Nations family which reported through it to the General Assembly. There should be no delegation of powers in such matters, nor should there be any confusion about the fields of sectoral competence.

15. The suggestion that the proposed commission should provide a forum for the presentation and exchange of views by Governments, intergovernmental organizations and non-governmental organizations, including multinational corpor-

ations, labour, consumer and other interest groups seemed to his delegation worth while in that it would constitute an opportunity for all interest groups to present their views on the many and complex issues involved. It would be wrong, however, for the interest groups to form an integral part of the commission.

16. The chapter on technology put forward no daring or even innovative proposals concerning the vital question of the commercial transfer of technology; it merely suggested mechanisms to facilitate the acquisition of concessional technology. The formulation of a code of conduct on the transfer of technology, to which UNCTAD was devoting attention, would inevitably bear on many aspects of multinational corporations.

17. For all those reasons and many others, he felt that it would be premature to formulate a programme of work until a decision had been taken on the composition and mandate of the proposed commission.

18. Turning to the question of collective economic security, he said that the debates in 1973 had thrown considerable light on the scope of the concept of collective economic security and its possible functional and institutional applications. The report of the Secretary-General on the subject (E/5529) had the merit of clarifying some issues in a pragmatic manner without prejudging developments which had yet to take shape in the political conscience of the international community and to be reckoned with by the Council. The sole purpose of the comments he proposed to make on the concept of collective economic security was to contribute to the further refinement of that concept and to the gradual extrapolation of its conceptual parameters to the universe of options, behaviour patterns and ethical objectives of a political action geared to the idea of achieving peace and security through development and prosperity.

19. While the concept of collective economic security was an offshoot of the notion of collective political and military security, the two concepts were substantially different not only in objectives but also in their external manifestations and characteristics. By stressing the relative value of security in the notion of collective political and military security, which was a refined projection of the idea of the balance of power, and by emphasizing the intrinsic value of the notion of security in the concept of collective economic security, which had as its ultimate aim the assurance of concrete situations of development and prosperity, the new study had gone a long way towards removing a continuous source of misunderstanding. That fundamental difference explained the fact that collective economic security could not be identified with situations of immobility or stagnation, since adequate levels of development and assured conditions of prosperity were essential to it. In that respect, the concept of collective economic security was incompatible with the *status quo*.

20. A second major characteristic of the concept of collective economic security, which was also less apparent in the notion of political and military security, related to the idea of interdependence. The methods and procedures for ensuring conditions of collective economic security

rested essentially on the recognition that the world economic fabric constituted a single unit where actions and measures interacted in a chain of contradictions and adjustments. Thus, the concept of collective economic security had a practically unlimited potential for the promotion of enlightened co-operation for development and prosperity.

21. Referring to the comments which he had made at the spring 1973 session of the Council in connexion with the Secretary-General's previous note on the subject (E/5263) (Economic Committee, 610th meeting), he expressed regret that the new study did not develop the dynamic principle built in the idea of collective economic security as an instrument and a lever for development. It was also noteworthy that the study omitted any explicit reference to the admission in theory and to the implementation in practice of more favourable and differentiated treatment to developing countries which was the logical counterpart if not the very condition, of the application of the equity function as long as blatant inequalities prevailed among States. It was his understanding that those considerations flowed logically and naturally from the basic accepted premises that accelerated development and sustained prosperity were complementary processes and that it was intellectually inadmissible and practically inconceivable to preserve and safeguard the dynamics of prosperity by isolating poverty.

22. Accordingly, collective economic security, conceived as a global approach to present-day economic problems, had of necessity to lead to preferential arrangements in favour of the developing countries, to processes of development capable of ensuring the international economic equity envisaged as a fundamental aspect of the new international economic order. It was necessary to give unequal treatment to unequal countries, in other words to provide a global economic structure that accelerated the full economic development of all the areas of the world. Collective economic security thus meant collective economic security for development. Brazil would strongly oppose any attempt by any developed countries to transform that concept, which was geared to change, into an instrument for freezing the existing power and economic structure, in defence of their one-sided views of world order.

23. His Government hoped that the revision of the International Development Strategy in 1975 would be largely based upon and influenced by the new perspective and priority of the aims of development co-operation that emerged from the concept of collective economic security. That concept should provide the gauge to measure aspirations and to evaluate successes and possible shortcomings at the 1975 special session of the General Assembly devoted to development and economic co-operation.

24. There was a direct link between the concept of collective economic security and the goals of regional integration and economic co-operation among developing countries. Both ideas acquired a new political dimension when seen in the broader framework of a concept which ensured an ethical foundation and a practical motivation for the endeavours of States, linked by geography or other

factors, to attain conditions of collective development and prosperity with justice. There again the concept of collective economic security was the ethical norm that ensured equity across the boundaries of power. That concept of collective economic security was already finding expression in Latin America in many initiatives.

25. There seemed to be a link between the quest for collective economic security, the attempts to define the economic rights and duties of States and the wishes of many Governments to set up an international trade and development organization which would, *inter alia*, provide a new global approach to such vital questions as the transfer and creation of technology as a tool for development.

26. The Council would have to decide how it would treat the question of collective economic security. Its task would seem to be to activate and perfect the policies, instruments and programmes of economic co-operation through the judicious application of the new perspectives that the goal of collective economic security could provide. The Council's purpose should be to make that goal an integral part of its daily routine of assessing the present and laying the foundations for the future in the field of international economic co-operation. The elaboration of the Charter of Economic Rights and Duties of States might well represent a milestone in the institutional functions of the concept. As another practical application of the concept the Council might decide to establish permanent machinery for dialogue and negotiation at a high policy level. On the operational front, the revision of the International Development Strategy and the implementation of the new Programme of Action should provide ample scope for the enlightened application of the concept.

27. The Council's role at the present time was to provide, at the policy level, the conceptual synthesis of often conflicting trends. It had to screen the many options available and produce an acceptable common policy denominator. It was no longer possible to indulge in a sceptical attitude of "wait and see", nor could the Council merely try to mend superficially a fabric of international economic relations that was irreversibly worn out. The call to action by the sixth special session of the General Assembly could not have been more pressing. It was imperative that the new international economic order should be not only new and orderly but that it should provide the bases for greater and sustained development and provide a catalogue of real benefits for all. What was at stake was the case for economic co-operation as a rational way out of the world's economic and financial difficulties.

28. Mr. SCALI (United States of America) said that over the past year the United Nations had seized the opportunities which the improved relations between East and West had created for it to show that it was capable of carrying out its primary role of world peacemaker and peacekeeper. The war in the Middle East had been the severest test which the United Nations had faced in recent years; it had proved equal to the challenge and had played a key role in directing the new spirit of genuine conciliation among the peoples of the area towards concrete results. Each step forward had been made with and through the United Nations, bilateral and multilateral diplomacy

moving forward hand in hand to achieve much more than either could have done alone.

29. While the world was in consequence more peaceful than it had been a year earlier, unfortunately it was not more prosperous, yet it was as necessary to free mankind from fear of hunger, poverty and disease as to free the world from the scourge of war.

30. The world economic situation had worsened during the past year because of accelerated inflation, shortages and feared shortages of key commodities. With those had come a massive shift in established trade patterns and monetary flows. Economic growth had slowed down in many industrialized countries. Some developing countries had suddenly found themselves in a position to profit from that situation but others faced economic collapse.

31. The United States of America had responded to the combined economic and financial problems by monetary and fiscal measures to restrict inflation and by increasing its production of key commodities, particularly food. It was now considering what further steps it should take, in co-operation with other countries, to meet the emergency needs of those nations which were unable to withstand the new pressures which 1974 had brought.

32. While most nations faced soaring inflation and widening balance-of-payments deficits, there was no world-wide depression. It had to be recognized, however, that an orthodox response to those problems could lead to such a depression.

33. One of the prime moves by the United States to control inflation had been to expand the supply of critically needed raw materials, although it had known that that policy would result in lower prices for its agricultural products. It hoped that other States would likewise combat inflation by making increased supplies available at reasonable prices rather than by adopting or maintaining a policy of artificial shortages and higher prices. In the long run it was in the interest of both producers and consumers to avoid a "boom and bust" market. To that end, adequate and regular supplies of raw materials would have to be made available at stable and fair prices. That required better prediction of future needs and future availabilities of various commodities. The United States representative at the sixth special session of the General Assembly had proposed that an international group of experts, working closely with the United Nations Secretariat, should immediately undertake a comprehensive survey of the earth's non-renewable and renewable resources. The Assembly had referred that proposal to the Economic and Social Council (E/L.1599, draft resolution II).

34. The sixth special session of the General Assembly had been called in response to the serious economic situation. Although its agenda had specified a concern with raw materials, there had been little discussion and no agreement on whether the price of key materials was too high or too low or whether the supply of those raw materials should be expanded or reduced. There had been clear recognition, however, that some nations were in no position to pay sharply higher prices for food, fuel and fertilizers.

35. The United States had been unable to accept all the recommendations of the special session but it had made clear its willingness to join with others in meeting the emergency needs of those countries hardest hit by the latest economic crisis. As the world's largest producer and exporter of food, it had felt morally obliged to remove all restrictions on food production, thus increasing supplies and bringing prices down to more reasonable levels.

36. As world food production depended, *inter alia* on factors outside man's control, it was necessary to be prepared for good and bad years. The United States accordingly supported the proposal made by the Director-General of FAO that an international system of national stockpiles should be established (E/5477, para. 3). It was willing to participate in such a system and to rebuild its own food reserves, provided other States were prepared to do the same.

37. While food prices were declining, the prices of other critically important commodities were not. The United States Government would respond to the appeal made by the Secretary-General of the United Nations for emergency assistance to the countries hardest hit by rising prices of key commodities. Its assistance would be provided through both bilateral and multilateral channels. The United States Government hoped to announce a new world-wide food assistance policy within the next few weeks. The United States House of Representatives had just approved a new allocation of \$1.5 billion to IDA.

38. Food production depended directly on production of fertilizers, which in turn was linked to petroleum production. The new high yield "miracle" seeds specifically needed petroleum-based fertilizers. The importance of those fertilizers for countries living near the margin of starvation, where even a small reduction in yields could produce intolerable consequences, was obvious.

39. One of the principal tasks of the forthcoming World Food Conference would be to examine that problem and to recommend medium and long-term measures to prevent fertilizer shortages in the future. It was recognized, however, that the urgency of the current shortage also required short-term action before the World Food Conference took place. Congress had therefore been asked for a substantial increase in United States bilateral aid for food production, including fertilizer assistance. As part of that expanded programme, the United States would be prepared to increase its concessional financing of fertilizer purchases in appropriate cases where developing countries were able to find supplies but were unable to pay for them. United States fertilizer plants were operating at near capacity to meet the demand created by greatly increased food production in that country and others. Although the United States fertilizer industry had traditionally served a primarily domestic market, his Government was fully aware of the urgent need of some developing countries for increased supplies, to which it would respond as far as possible. As part of its bilateral assistance programme, it was offering technical assistance to developing countries in which fertilizer plants were operating below capacity. It was prepared to help in improving the efficient use of fertilizers and to contribute to planned research into their

use, particularly in tropical soils with great potential for increased food production.

40. Countries in the drought zone of Africa whose economies had been weakened by famine, massive population movements and resultant unemployment were among those least able to withstand recent economic pressures. The United States had fulfilled the pledge it had made at the Council's fifty-fifth session (1860th meeting) to assist those countries and was happy to note that others too had responded. It had donated \$129 million in food and other assistance to the six drought-stricken countries of the Sahel and had made nearly \$18 million in emergency assistance available to Ethiopia. More than 500 million tons of American food had been provided for drought victims. The United States had also assisted in providing aircraft and other forms of transport and in constructing rural roads to ensure that the food reached the needy.

41. One particularly encouraging aspect of international response to the African drought was the growing public concern in many countries for the victims of the tragedy. He had worked closely with private American citizens who were giving generously of their time and skills to provide assistance and to rouse world public awareness to the scale of the crisis, which threatened 25 million people with starvation. The extent and duration of the tragic drought appeared to be increasing and it might be wondered whether the world was not, in fact, witnessing a major climatic change which could leave much of the continent of Africa uninhabitable. He was happy to note that WMO had begun to investigate the problem as recommended by the United States Secretary of State.

42. In 1973, (1865th meeting), he had expressed the hope that the United Nations might better co-ordinate its efforts in all fields and had observed that, since 90 per cent of the United Nations resources were devoted to the economic and social area, it was the Council's primary responsibility to see that the money was well spent. There was unfortunately continuing evidence of a tendency to substitute new bureaucracies for new ideas. Energy, time and talent continued to be wasted in the creation of new institutions when what was needed was more effective and united action on the part of existing ones. His Government agreed with the statements of the Directors-General of UNESCO and FAO in that respect. An example of the needless urge to proliferate was the recommendation of the recent special session of the General Assembly on the establishment of yet another development fund. The time and efforts of the Assembly could better have been spent in seeing that more money was made available through existing channels.

43. The forthcoming review of the United Nations system in preparing for the special session of the General Assembly in 1975 should be a penetrating evaluation which should not overlook the need for radical surgery and should not hesitate to indicate, for example, which United Nations agencies had outlived their usefulness or failed to measure up to their assigned tasks, which agencies could best be cut back and which expanded. Every agency inevitably believed that it did not require radical reform and that the surgery should be performed elsewhere.

44. In order to enable existing United Nations institutions to produce better results, the United Nations itself must improve its capacity to evaluate the full range of performance by all. It should establish information systems which would allow the Secretary-General, his top advisers and Member Governments to know exactly what the United Nations was doing. Only with such evaluation and information tools would it be possible to identify the agencies with an excessive, and those with a minimum, bureaucracy. Leading representatives of United Nations agencies should be more directly involved in the discussion and in the resolutions on key issues in United Nations forums. The United Kingdom representative had rightly observed that the specialized agencies should participate earlier and more actively in the formation of United Nations policy in order to be in a better position to implement it.

45. Another example of the kind of proposals which led to the unnecessary proliferation of institutions were those resulting from the recent report of the Group of Eminent Persons on the role of multinational corporations on development and on international relations. While it considered that Governments and multinational corporations alike could profit from a closer examination of their respective rights and duties, his Government felt that the work should be carried out, under the Council's responsibility, within the present United Nations structure, and that it should be staffed from within the United Nations Secretariat. The report of the Group of Eminent Persons was in some respects disappointing. While there appeared to be great emphasis on the need of Governments for assistance in dealing with the multinational corporations, little consideration was given to the possibility that the corporations might need help in dealing with Governments. There was much discussion of the duties of multinational corporations towards their host Governments, with too little attention to the reciprocal obligation of States which accepted foreign investments.

46. The United Nations had recently concentrated increasing attention on the concerns and needs of developing countries, a trend which had been highlighted at the sixth special session of the General Assembly. The emphasis on development would continue through the Council's present session and would culminate in another special session of the General Assembly in 1975. He hoped that in the process members would not lose sight of the realities. Streamlining the structure and revising the priorities of the United Nations would have, at best, a marginal effect on global development. The key decisions would continue to be national ones.

47. The crucial question facing the world was not what channel would be used to assist nations facing imminent economic collapse, but whether sufficient assistance would be forthcoming through any channel. Those able to help had a moral obligation to do so. The world was waiting and watching and countries would be judged not by what they said but what they did to provide emergency assistance to those who needed it most.

48. His delegation had been deeply disturbed by the gloomy forecast by the representative of the World Bank of continuing massive inflation, as a result of which no

improvement in the living standards of most of the world's developing nations could be expected during the present decade. A staggering loss of scarce foreign exchange was forecast for those countries least able to afford it, in order to pay the new higher prices for basic commodities, between 80 and 90 per cent of the extra cost of which was due to the increase in petroleum prices. The Council would benefit from further information from the Bank's experts on where the massive shift of money in the world was going. It was of critical importance to know, for example, whether it was true that oil-producing countries, if the present price structure remained unchanged, would have accumulated about \$50,000 million by the end of 1974 and up to \$140,000 million by the end of 1975, with an even more staggering increase by 1976. He would be glad if the World Bank or IMF could provide such data.

49. The Council should base its actions on a clear perception of the nature of the dilemma. Extraordinary measures were needed to restore financial order. Failure to co-operate in a spirit of compassion and generosity might lead to world-wide recession or worse. To help to ensure economic survival for all, food aid must be expanded, food reserves against times of disaster must be built up, fertilizer supply bottlenecks must be removed and global food production must be greatly increased. High-level United States government officials were shaping a global food assistance policy which was to be announced shortly. His Government recognized that, for those in need, food was more valuable than money. It was firmly convinced that, in an increasingly interdependent world, only a global food policy could succeed.

50. The newly wealthy nations must act to help the less fortunate before the economic plight of all worsened dangerously. His delegation applauded the special financial arrangements already made by a number of these countries to help those in need, but the enormity of the problem and the speed with which events were moving demanded far more action. The United States called on all other States to join in the battle to free mankind from the fear of hunger, poverty and disease. One half of the world's population could not survive in peace and prosperity while the other half starved.

51. Mr. PRONK (Netherlands) said that the sixth special session of the General Assembly, which had made it possible for the United Nations to react immediately to the economic crisis, had been confronted with important changes in the world economic scene. The main problem hitherto had been the division of the world into rich and poor countries, all the negotiations and some of the decisions taken having been directed to the redistribution of wealth from rich to poor. There was now a situation in which all countries lacked supplies, some of food, others of fertilizers, capital or oil. There was now a need to redistribute limited resources for poor and rich.

52. New dividing lines had consequently appeared between oil importers and oil exporters, food importers and food exporters, and importers and exporters of fertilizers, with new groupings, changes in interests and new problems, but also with new possibilities. It was not surprising, in the new situation, that at its sixth special session the General

Assembly had for the first time dealt exclusively with economic problems. The sixth special session had produced positive results not only in its adoption of the Programme of Action and of special measures but in particular in bringing about a sharp awareness of the changes in the world economic situation. He welcomed the realization that things would never be the same again. It was false nostalgia to long for what had been, particularly when that implied misery and suffering for two thirds of the world's population.

53. The Council's task was to carry on from where the General Assembly had left off at the sixth special session and to prepare for the next special session, deciding on the selection of subjects, determining procedures and fixing time schedules.

54. The world scene had changed. Prices of many commodities had risen steeply, the rate of inflation had increased and shortages in many parts of the world, such as Africa and Southern Asia, had become more acute. The central problem had, however, remained basically the same problem of the enormous differences in power and in levels of economic development between States and between individuals. That fact should be kept in mind in tackling the present situation. Nothing fundamental could be achieved without real changes in the distribution of power, income and property.

55. The oil crisis had confronted people in the rich part of the world with a scarcity of raw materials – a new phenomenon for them but a normal experience for the poor two thirds of the world. The shortages had hit the rich countries at an exceptionally high level of prosperity. Though resulting in problems such as inflation and balance-of-payments deficits, such difficulties were relatively easy for the rich to overcome. No real difference could be observed in the situation in America or Europe without delving deeply into statistics, but the situation was fundamentally different for the poor countries, for which deficits in the balance of payments could be disastrous. Even a small deterioration in their economies affected the everyday life of millions of people. It was therefore essential to ensure that the developing countries should suffer no setback.

56. The argument of the rich countries that in the field of commodities the sovereignty of the producing countries should be conditioned by a regular supply of commodities to importers now applied both ways. Steps now had to be taken to ensure the supply of essential commodities, particularly food and fertilizers, to the peoples of the developing world.

57. For all essential commodities arrangements had to be made to secure the rights of both producers and consumers. In the case of food grains and fertilizers the best arrangement might be a planned surplus production system, which would enable the food position of the poor countries to be improved. For oil and other minerals, long-term world-wide agreements should be worked out covering production, supply and prices. Such a commodity policy should be aimed at ensuring that the commodities were sent where they were most needed. Stock building and distribution

agreements for capital, the most important commodity of all, must also be concluded.

58. While interest groups such as multinational corporations could contribute to the negotiation process, all decisions on scarce commodities should be taken by Governments, which, as representatives of the people, had a duty to agree on measures for the welfare of the people. Massive interests were too often delegated to suppliers of capital whose principal aim was to maximize their return on investment.

59. The Netherlands Government had decided to contribute \$30 million to the emergency operation launched by the General Assembly at the sixth special session. Of that sum, \$20 million would be made available by way of an additional budget allocation in 1974. The EEC had decided to make a contribution on condition that countries outside the Community participated also, but in view of the urgency of the situation the Netherlands Government would contribute without such conditions. Larger sums would be required in subsequent years and the Netherlands was prepared to contribute its share to the long-term programme.

60. There was increasing realization of the fact that it was no longer justifiable to concentrate exclusively on the long term. Anyone pursuing long-term policies was in danger of forgetting present tragedies and of doing nothing about the hundreds of millions of children who would be mentally and physically blighted for the rest of their lives because they had insufficient food now. That situation could not be allowed to continue. Famines in Africa and Asia had drawn greater attention to the immediate need but there was much more at stake: continued misery, mass malnutrition and lack of any decent housing in large parts of the world. Those were immediate, pressing problems which could no longer be shelved. A new component of programmes and projects designed to settle immediate needs directly should be introduced into development policy. The developing countries themselves were bringing that point up increasingly and the rich countries would have to respond by making assistance available for immediate needs more systematically.

61. The President of the World Bank had mentioned employment projects as a possible contribution. WFP had begun to give emergency relief in addition to its projects in which foods was used as wages. It was necessary to go further in developing new concepts and formulating new plans. What was needed was a policy and a plan of action for dealing with recurrent urgent situations. He had in mind a United Nations economic emergency force capable of dealing with all kinds of urgent and immediate needs, possibly based on the same kind of contingency planning that had strengthened United Nations peace-keeping operations. Such a policy and plan of action need not and should not affect long-term planning and development. The Governments of developing countries were often hardly able to carry out any long-term policy because their immediate needs absorbed all their strength, capital and goods. There should be no inconsistency between action to meet immediate needs and long-term development.

62. In its budget for 1975, the Netherlands Government would make available about \$100 million for programmes and projects directed to relief of immediate needs. Part of that money might be used for financing such multilateral emergency operations.

63. There would be little point in holding another special session of the General Assembly unless a number of agreements could be concluded. There was no need for still more strategies or declarations. The requirements of the long-term problems were already well known.

64. The structural changes in the United Nations system which the special session in 1975 was required to initiate had to be rather far-going. The existing system had been unable to cope with the requirements of the changing economic and political relationships. Those changes had to be reflected in the instruments for negotiation and decision. Without such adaptation more and more decisions would be taken outside the United Nations system and that would place the United Nations outside the present world reality.

65. In the discussion on collective economic security new concepts had emerged and new trains of thought had been developed with respect to the decision-making process. The aim should be to set up a collective economic security system based on the Charter of Economic Rights and Duties of States, to which any country whose economic interests were affected or injured could have recourse. Under the Charter, the Council should adapt its working methods to enable it to carry the economic security system into effect.

66. The accelerating rate of world-wide inflation was a matter of great concern to all. At its present session the Council might, complementary to work going on elsewhere, especially in IMF and its Committee of Twenty,² initiate studies, perhaps by a new group of eminent persons, on certain aspects of that problem, including particularly the non-monetary aspects. Certain ideas on how to deal with inflation through internationally concerted action, including indexation, might be explored. His delegation would be interested in the reactions of other delegations to that suggestion.

67. Recent events had shown that a new economic order, for the creation of which the next special session of the General Assembly was to be convened, was indeed what was needed. The new phenomenon of scarcity and stagnation in development in the poor part of the world made far-going steps necessary. Scarcity had emphasized the unreasonably high percentage of world resources being used by the rich countries. The continued economic growth of those countries and the continued increase of population in most parts of the world together contributed to a deterioration of conditions in most of the less developed countries.

68. Changes were needed. Population required to be limited, particularly in the rich countries, in order to reduce the share of those countries in the use and consumption of

² *Ad hoc* Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues.

natural resources. Family planning had so far largely failed. New policies and concepts needed to be formulated and the World Population Conference should take up the challenge.

69. Economic growth in the rich countries should also be scrutinized. A limit had probably to be set to economic growth in the sense of production of material goods. It was not yet known how to settle that new but inescapable problem.

70. Scarcity had also brought about an awareness of the importance of ecological factors, not only in the sense of human welfare but also as elements of production. There was a growing gap between the ever-increasing knowledge of economy and technology and the baffling lack of insight into human, biological and ecological processes. The next special session should seek ways and means of bridging those gaps. The ecological approach should be added as a new element in the unified approach to development next to economic and social development.

71. Development required new relations between rich and poor countries. The report of the Group of Eminent

Persons dealing with problems of multinational corporations supplied guidance for future policies with regard to multinational corporations. The Council at its present session should take up the recommendations of the Secretary-General and translate them into practical measures.

72. Development also required increased efforts by the poor countries themselves and large-scale debt relief and aid by the rich countries. It required new trade policies and many of the measures proposed in the Programme of Action adopted at the sixth special session of the General Assembly.

73. In discussing schedules, procedures and programmes and their acceptance or otherwise, the Council was in fact discussing whether or not to redistribute happiness and suffering in the world. Procedures, schedules and programmes could be smoke-screens behind which to hide, but they could also be instruments for a real, positive policy. It was in that sense that his suggestion had been put forward.

The meeting rose at 12.45 p.m.

1902nd meeting

Thursday, 4 July 1974, at 3.15 p.m.

President: Mr. A. KARHILO (Finland)

E/SR.1902

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued) (E/5479, E/5486, E/5490, E/5502, E/5517, E/5521 and Add.1-3, E/5532 and Corr.1)

1. Mr. BERLIS (Canada) said that Canada was not unresponsive to the needs of developing countries, whose circumstances had significantly worsened in the current economic situation. The Canadian delegation had supported section X of the Programme of Action on the Establishment of a New International Economic Order dealing with special measures and particularly emergency measures, at the special session of the General Assembly. Canada had responded to the Secretary-General's recent appeal concerning those countries' urgent needs by pledging a contribution of \$276 million to the replenishment of IDA and had decided to increase its regular contribution to the programme of development assistance for 1974-1975 by \$100 million specifically for the countries in most serious need. Canada had, too, pledged an amount equivalent to \$300 million to the IMF special facility to assist countries in payments difficulties resulting from the increased costs of imports of petroleum and petroleum products. That having been said, it was obvious that those short-term needs were symptoms of longer-term problems and that the present situation triggered by the oil price increases of the previous autumn threw into stark relief long-existing economic

problems in the area of inflation, employment levels and international trade and investment.

2. The international community had accepted responsibility for trying to come to grips with those basic problems, as evidenced by the ongoing work by many bodies in the United Nations system, and particularly by the holding of a special session of the General Assembly on raw materials and development. The Canadian delegation believed that the Council should ensure that the negotiations and discussions in the various agencies and organizations of the system proceeded in an orderly and co-ordinated manner. It should use the established machinery for international co-operation, and it should work to adjust and improve that machinery.

3. To achieve that the Council must concentrate its efforts and set priorities for its own work. His delegation therefore welcomed the focusing of the general debate on certain items of the agenda, and believed that item 4 (Programme of Action), item 8 (multinational corporations) and item 14 (Second Development Decade) should be given special attention because they encompassed a number of other related and important questions such as permanent sovereignty and science and technology and provided a basis for the consideration of the most pressing problems before the Council, largely subsuming the agenda item on collective economic security.