

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.

4. The Programme of Action covered a very wide spectrum and posed thorny problems which would not be easy to settle, in view of the fact that the decision on the Declaration and Programme of Action had not been taken without reservations by a number of delegations, including that of Canada. Nevertheless, there had been substantial support for the basic objectives of the special session, namely an acceleration in the rate of development in developing countries and a more equitable distribution of the world's economic resources.

5. There had already been some encouraging signs since the end of the special session, especially on the monetary front. The agreement reached at the Committee of Twenty meeting in June had shown that IMF was capable of negotiation on complex monetary problems; the oil facility and the extended Fund facility, as well as the guidelines on floating, clearly displayed willingness on the part of a wide variety of nations to co-operate in order to solve their current problems.

6. The report of the Committee on Science and Technology for Development on its second session (E/5473) was yet another encouraging sign. One of the main questions considered by the Committee was the transfer of technology; since that essential component of the Programme of Action was also one of the most important concerns of the UNCTAD Intergovernmental Group of Transfer of Technology of UNDP and of WIPO, obviously some co-ordination should be established among those bodies, and the Council should assume responsibility for it.

7. With regard to trade, detailed preparations were going forward for the forthcoming negotiations on trade liberalization within the context of GATT, whose members and secretariat were ready to move in the direction of the legitimate needs of developing countries.

8. The question of multinational corporations had been attracting the increasing attention of Governments, individuals and institutions for several years, and in its report (E/5500/Add.1) and the Group of Eminent Persons which had been asked to examine the matter was stressing its gravity and urgency. In his address to the special session of the General Assembly on raw materials and development (2211th plenary meeting) the Secretary of State for External Affairs of Canada had affirmed that his country favoured the establishment of machinery to ensure that the decisions of multinational business corporations were consistent with the national interests of the countries within which they operated and that it defended the right of capital-importing countries to define their terms for the acceptance of foreign investment. Canada was wedded to those principles and was ready to give attentive consideration to the recommendation in chapter III of the Group's report calling for the establishment of machinery to assist the Economic and Social Council in its deliberations on the contemporary and pressing questions raised in the report. Its recommendations should be debated by the Council, but Canada would refrain from going further into the substantive questions raised in the report without taking time for its further analysis. Canada also considered that the terms of reference for any body to study the subject, whether it was the Council, UNCITRAL or the proposed commission,

should be carefully considered, since it would determine an international course of action for many years to come. Canada welcomed the substantial achievement of the Group of Eminent Persons in its report, just as it had been in favour of the notion from the outset.

9. As to the preparations for the appraisal of the International Development Strategy for the Second United Nations Development Decade, it was to be hoped that lessons would be learned from the difficulties encountered in the first appraisal; the Secretariat and the various parts of the United Nations system should, in his view, take a larger share in the preparations; the reports and comments of the various elements of the system should be produced in sufficiently good time and in a more digestible and comprehensive form than they had been during the first appraisal; if delegations and organizations were prepared to make the necessary effort, the result could supply significant impetus to the global development effort.

10. The pursuit of the objectives which would have to be attained during the coming months should not deter the Council from considering the other important items on its agenda; but such consideration called for the greatest self-restraint if the Council was to prepare the 1975 special session properly. Canada would do its utmost to assist the Council in its current deliberations to produce positive results.

11. Mr. SAITO (Japan) said that shortages of raw materials and food, inflation, monetary instability and the deterioration in balances of payments created problems of an unprecedented nature and magnitude for the world community today. In seeking solutions to those problems, it was necessary to take account of a situation which changed from day to day, and to approach them from a global standpoint. In that context, his delegation attached great importance to the Declaration on the Establishment of a New International Economic Order, adopted by consensus at the recent special session of the General Assembly, and to the Charter of Economic Rights and Duties of States now being formulated within UNCTAD.

12. In order to deal effectively with those global and often urgent problems, the Council must strengthen its functions with a view to mobilizing the expertise and resources of the various organs of the United Nations system, giving guidelines to those organs, and co-ordinating their activities. It must also establish its own procedures for the timely consideration of major problems as the need arose. The information and analyses provided by the regional economic commissions could be extremely helpful to the Council in considering those problems at the world level.

13. The present level of inflation was the highest the world had known since the end of the Second World War. If it was not brought under control it would lead to unacceptable social injustices and would undermine the very basis for the harmonious growth of the world economy. In view of that situation, every nation should accord the highest priority to stabilizing prices, in particular, by applying a demand management policy supported by fiscal and monetary measures. His country, which was almost totally

dependent on foreign countries for its supplies of oil and other raw materials, had taken a series of measures to reduce consumer purchasing power, stabilize prices and combat inflation psychology. Those measures had proved effective and Japan intended to maintain its anti-inflation programme in the coming months.

14. The recent increases in the prices of oil and other raw materials had created a fear, in some developed countries, of large balance-of-payments deficits in the years ahead. However, those countries should not resort to arbitrary measures in order to remedy that situation, for to do so would only cause further imbalances in the world economy. At a meeting towards the end of May, the Council of OECD had requested that for a period of one year, members of the organization should refrain from imposing new restrictions on trade or other current transactions, and from stimulating visible and invisible exports artificially. It was also to be hoped that the undertakings contained in the Declaration on the Establishment of a New International Economic Order would help to spare the most seriously affected developing countries still greater hardships.

15. International co-operation to reduce restrictions in world trade were made still more necessary by the present economic situation. In that context, multilateral trade negotiations took on an added importance. His Government would continue its efforts to ensure that such negotiations were conducted in the spirit of the Tokyo Declaration of Ministers<sup>1</sup> issued at the end of the GATT ministerial meeting in the autumn of 1973, taking full account of the special interests of the developing countries.

16. With reference to the World Food Conference, which was to take place shortly, he said that his Government accorded high priority to the question of establishing a system of assessing world food supply and demand, stabilizing food supplies and providing agricultural assistance to developing countries.

17. International investment had come to play an important role in the world economy. The value of the industrial production of enterprises financed by international investment exceeded the total value of international trade and contributed greatly to the development of the world economy. Against that background, it was opportune that the Council had before it the report of the Group of Eminent Persons for considering the question of multinational corporations in depth. Japan supported, in principle, the Group's recommendation concerning the establishment of a permanent commission under the Council, and deemed it desirable to study the possibility of establishing a code of conduct for those corporations.

18. Turning to the question of international monetary reform, he recalled that the Committee of Twenty had decided that the Interim Committee of the Board of Governors of IMF should reconsider the question of establishing a link between development assistance and the allocation of SDRs. His country had adopted a sympathetic attitude to the developing countries' views on that ques-

tion, and he hoped that the Interim Committee would actively consider the possibility of establishing such a link. Also, it was advisable that there should be consultation and co-operation between oil-importing countries which were short of liquidity, and oil-exporting countries which were exposed to volatile movements of the liquidity they had accumulated.

19. Although Japan was one of the developed countries which had been hardest hit by the present economic situation, it intended to make the greatest possible development assistance effort. In 1973, the value of its assistance had amounted to \$5,844.2 million, or more than double the 1972 figure. That amount had represented 1.42 per cent of the Japanese GNP, and was well above the 1 per cent target laid down by the United Nations. The budgetary appropriations for official development assistance in the financial year 1974 showed a 27.4 per cent increase over 1973.

20. On the subject of the emergency operation launched at the sixth special session of the General Assembly on behalf of developing countries most seriously affected by the current economic crisis, he announced that his Government had decided to provide emergency relief assistance to those countries in the form of commodity aids, debt relief, grants, etc., to the value of at least \$100 million over and above the amount of aid it had given those countries in the past twelve months. His Government had also decided to contribute \$495 million to IDA. In the current year, it had also substantially increased its contributions to UNDP (\$16 million, including \$2 million for the least developed countries), to WFP (\$1.7 million) and to the Special Fund for the Sahel (\$1.8 million). He hoped that the oil-producing countries and the most advanced developing countries would also provide assistance to the countries most seriously affected by the present crisis.

21. With regard to the Special Fund established at the sixth special session of the General Assembly, his Government was prepared to participate in the examination of a specific plan for that Fund, and to contribute as much as possible when such a plan had been formulated.

22. Referring to the problems of developing and utilizing the natural resources of the earth, he expressed the hope that the United Nations Revolving Fund for Natural Resources Exploration would begin its operational activities as soon as possible. Also, at the sixth special session of the Assembly (2211th plenary meeting), his Government had offered to act as host to the fourth session of the Committee on Natural Resources. Arrangements were now being made with the United Nations Secretariat to hold that session at Tokyo, from 24 March to 4 April 1975. He hoped that the Council would approve that proposal.

23. Mr. KOTAITE (International Civil Aviation Organization) recalled that in 1973 some 630 million passengers had travelled on scheduled and non-scheduled flights of commercial air carriers. In the case of scheduled services, the total traffic (passengers, freight and mail) in terms of ton-kilometres had increased by 11 per cent in relation to 1972, the number of passenger-kilometres by 10.2 per cent, freight ton-kilometres by 16.2 per cent, mail ton-kilometres

<sup>1</sup> For the text, see GATT document MIN(73)1.

by 4.3 per cent and the number of passengers by 7.3 per cent. Percentage increases in 1973 scheduled international traffic over 1972 had varied considerably between regions and was particularly high in developing regions. The highest rate of increase (25 per cent) had been recorded by the airlines of Asia and the Pacific, followed by those of the Middle East (20 per cent), Latin America and the Caribbean (18.5 per cent), Europe (14 per cent), Africa (13 per cent) and North America (7 per cent).

24. Rates of growth of international non-scheduled passenger traffic had slackened in 1973 for the third consecutive year, mainly as a result of the world economic situation, the growing use of promotional fares on scheduled services, and regulatory changes. The total number of passenger-kilometres on international non-scheduled flights had risen to 102 million in 1973, an increase of 9 million over the preceding year; non-scheduled traffic had accounted for almost one-third of all international passenger traffic in 1973, approximately the same as in 1972.

25. As regard the opening of new routes and services, an important feature in 1973 had been the further development of international services between China and various countries in Asia, African and Europe; in that respect it was worth noting that the Government of the People's Republic of China had resumed its active participation as a member of ICAO.

26. 1973 had been characterized by a number of developments which had affected tourism. The year could be divided into two periods, the second of which, from October onwards, had been dominated by the fuel crisis. The first part of 1973 had witnessed a continuation of the economic growth recorded since 1971, although that prosperity had in turn created difficulties which had adversely affected international tourism: strong inflationary pressures, uncertainty resulting from the monetary adjustments of the previous year, and the adoption of floating exchange rates by many States. Potential tourists had reacted by purchasing consumer durables as a safeguard against inflation, and international tourism had suffered accordingly.

27. By the end of 1973, the fuel crisis and its impact on international aviation had been causing serious concern to countries dependent on international tourism. Airlines had been faced with sharp increases in fuel prices and had in some cases had to reduce their services. Operating profits for 1973 were estimated at \$821 million, some 3.1 per cent of operating revenues as compared with 3.8 per cent in 1972.

28. The airline safety record had been better in 1973 than in 1972; the number of passenger fatalities on scheduled services in 1973 had amounted to 922 in 33 accidents, as against 1,402 fatalities in 44 accidents in 1972. Bearing in mind the volume of traffic in those two years, the number of passenger fatalities per 100 million passenger-kilometres had fallen from 0.25 in 1972 to 0.15 in 1973.

29. Acts of unlawful interference with international civil aviation had continued to affect the safety, regularity and efficiency of international air services, but new security

measures had been adopted and improved safety devices and systems had been introduced for the inspection or screening of passengers and freight, etc., and the protection of aircraft. ICAO was still concerning itself with acts of unlawful interference and air transport security, particularly by keeping up to date and developing standards and recommended practices. The ICAO Council had adopted a new annex to the International Civil Aviation Convention (annex 17 on aviation security). In the legal field, three conventions established by ICAO were already in force: the Tokyo Convention on Offences and Certain Other Acts Committed on Board Aircraft, ratified by 74 States; the Hague Convention for the Suppression of Unlawful Seizure of Aircraft, ratified by 67 States, and the Montreal Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, ratified by 56 States.

30. During the year ICAO had pursued its primary objective of ensuring the safe and orderly development of international civil aviation through technical, legal and economic studies and the adoption of appropriate international standards. Two major economic meetings had been held (Conference on the Economics of Route Air Navigation Facilities and Airports, and the eighth session of the Facilitation Division). In the technical field, 11 air navigation meetings had taken place and the ICAO Council had adopted amendments to eight annexes containing standards and recommended practices. Three meetings had been held in the legal field, including an International Conference on Air Law, and the ICAO Assembly had held two extraordinary sessions.

31. ICAO was very aware of the intensified international effort being made to tackle the problems of the developing land-locked countries. Although no funds of its own were available for economic development, ICAO was doing pre-project work for a UNDP project, which would serve as a pilot study for all regions and help to increase the efficiency of UNDP country programming. ICAO hoped that UNDP would provide the necessary funds.

32. The ICAO assistance programme had been expanded in 1973, particularly with regard to UNDP regional projects and projects carried out under funds-in-trust and cost-sharing financing. ICAO intended to continue to improve the assistance it was giving in that field.

33. With regard to the environment, the action taken by ICAO in fixing maximum limits on aircraft noise had already borne fruit in that the noise levels of many newly certified aircraft types were substantially lower than those currently prescribed in annex 16 to the International Civil Aviation Convention.

34. His organization had continued to co-ordinate its work with that of other organizations within the United Nations family, particularly WMO, with which it was working to determine future responsibility for administering the North Atlantic Ocean Stations (NAOS) Programme. In view of the relative increase in the use of the services rendered by the NAOS ships for non-aeronautical purposes and the relative fall in their use for purely aeronautical purposes, the two organizations had co-



operated closely towards the objective of transferring the NAOS Programme from ICAO to WMO as of 1 July 1975.

35. The PRESIDENT said that representatives of IBRD and IMF would now reply to the points raised by the representative of the United States at the preceding meeting.

36. Mr. HOFFMAN (International Bank for Reconstruction and Development) said he thought that the "gloomy forecast" on the short- and medium-term outlook for some of the least developed countries, which the United States representative said that he had recently submitted, must have been a reference to a short statement made at a joint ACC/CPC meeting on 1 July last. That statement was presented in the very limited context set by the agenda for that meeting – namely, how were the specialized agencies responding to the new world economic situation. He had not submitted any new evaluation of the facts or trends established by the World Bank; he had only briefly described the process the Bank was going through to adapt its operations to the new prospects.

37. The most recent effort by the World Bank to trace the general effects of the recent drastic changes in commodity prices on the resource position of various groups of countries was described in a paper issued in March 1974, entitled "Additional external capital requirements of developing countries". That paper had been made available to delegations at the recent special session of the General Assembly and the Secretariat could no doubt reproduce the paper if the Council so desired.

38. The Bank was at present engaged in updating its analyses and projections, but he could not say when and in what form the new results would be published. From the papers that he had seen, he expected that the broad conclusions about the resource position of various groups of countries contained in the March paper were not likely to have changed very much by mid-summer of 1974.

39. Mr. ZEGERS (International Monetary Fund) said that he could give projections regarding the evolution of international payments only for 1974 and for the balance of payments on current account, covering goods, services and private transfers. The figures he would be giving were, however, estimates of current account balances based on customs data which had been adjusted to take into account, *inter alia*, the delay in the recording of the data due to the time required to transport oil from one place to another.

40. So far as concerned the major oil exporters, the figures thus adjusted showed for 1974 a surplus of \$65,000 million, an increase of \$58,800 million as compared with 1973. That figure of \$65,000 million had been based on the

assumption that oil prices would remain at present levels throughout 1974 and that world supplies of oil would change very little as compared with 1973.

41. As for the second group of sixteen industrial countries listed in the IMF statistics, the 1974 projections showed a deficit of \$30,300 million; that was equal to a negative shift of \$40,900 million from the adjusted 1973 surplus of \$10,600 million.

42. With regard to the third group of twelve countries listed in the IMF statistics as "more developed primary producers", including for instance Australia and New Zealand, there was a projected deficit of \$6,400 million, i.e. a negative shift of \$7,500 million, as against a surplus of \$1,100 million in 1973.

43. The 1974 projection for the fourth group, that of the "less developed primary producing countries, other than oil producers", showed a deficit of \$20,900 million, that was to say a negative shift of \$11,800 million from the 1973 deficit estimate of \$9,100 million.

44. He noted that the total of the balance-of-payments estimates that he had quoted amounted to a positive figure of \$8,800 million for 1974. That was due to current account balances of countries not reporting to IMF, as well as relatively important statistical errors and asymmetries which were inevitable in estimates of that nature.

45. Lastly, he said that the projections in question had been made nearly two months ago and should be revised in the light of future developments. It was not possible at present to provide reliable estimates for 1975.

46. Mr. SCALI (United States of America) thanked the representatives of IBRD and IMF for their prompt replies. He was, however, surprised that the representative of the World Bank had not given figures which had already been made public in other meetings. He also regretted that the reply of the IMF representative concerned a single year only. But the statistics given by him – a surplus of \$65,000 million for certain countries in 1974, i.e. an increase of \$58,000 million as compared with 1973 – merely showed the magnitude of the financial crisis caused by the increase in the price of oil. If some countries could obtain such fabulous amounts in 1974, not to mention 1975 and 1976, that would shake the foundations of international economic co-operation. That prospect should be at the centre of the Council's discussions. Perhaps the industrialized countries would survive such cataclysmic changes, but he wondered what would happen to the less developed countries.

*The meeting rose at 4.25 p.m.*