

1903rd meeting

Friday, 5 July 1974, at 10.10 a.m.

President: Mr. A. KARHILO (Finland)

E/SR.1903

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. MAHEU (United Nations Educational, Scientific and Cultural Organization) introduced his organization's report on its activities in 1973 (E/5518).

2. He referred to the UNESCO report submitted in accordance with Council resolution 1575 (L) on the results of the International Book Year (E/5468) and its contribution to the objectives of the International Development Strategy. The report endeavoured to define the national, regional and international objectives for a future world book strategy in the light of the conclusions of the regional meetings of experts which had preceded International Book Year and of the lessons of the campaign itself. Among the problems calling for an international approach, particular attention should be drawn to paragraphs 92-102 of the report, concerning the world paper shortage which affected the developing countries in particular and about which the UNESCO Executive Board had expressed grave concern. That state of affairs could have serious repercussions on the dissemination of education, information, science, technology and culture.

3. His comments would concern, firstly, the establishment of a new world economic and social order and, secondly, the strengthening and improvement of the institutional system of the United Nations to make it better able to serve the establishment and functioning of that new world order. Aware of the exceptional importance of the prospects opened up for international co-operation, he had drawn the attention of the UNESCO Executive Board at the outset of its ninety-fourth session to the Declaration and Programme of Action on the Establishment of a New International Economic Order. The Board had at once taken the matter up and, after a discussion in which great interest had been shown, had adopted two decisions: the first was to include in the provisional agenda of the General Conference an item on the ways and means by which UNESCO could contribute, within its field of competence, to the establishment of a new international economic order and to invite the Director-General to prepare a document on that agenda item for consideration by the Executive Board at its ninety-fifth session; in the second decision, the Executive Board had recommended that the General Conference should consider at its eighteenth session the means by which UNESCO, within the framework of the provisions made or proposed by the General Assembly of the United Nations or by the Economic and Social Council, could participate in the joint effort to improve the functioning of the United Nations system, had invited the

Director-General to submit a report setting out his views and suggestions on the subject and had recommended to the General Conference, in the light of the discussions on the question, that it take all appropriate steps to encourage UNESCO's participation, within the limits of its competence, in the joint effort to make the United Nations system better able to contribute to the establishment of a more just, effective and fraternal world order.

4. He was not in a position at the present stage to indicate precisely what form UNESCO's contribution would take. Any decision on the subject would have to be taken by the General Conference. Moreover, until the Council had discussed the matter and made specific recommendations to the General Assembly there would remain a number of uncertainties about priorities and ways and means, particularly with regard to financial resources, and about the machinery for the participation of the specialized agencies. Any clarification provided by the Council's discussions would be extremely useful to him in drawing up the analyses and proposals which he had been instructed to prepare for the General Conference.

5. He could, however, make certain general observations on what the role of UNESCO in the enterprise might be in the light of the draft programme and budget for 1975-1976 and the table of objectives for 1977-1982. Its role in emergency assistance operations for countries most affected by the economic crisis or by natural disasters might be considered a secondary one. Not only were its methods of work little suited to that type of activity, but such action had to be undertaken first and foremost in fields outside its competence, such as financing, food and health. UNESCO could nevertheless participate in the joint effort, for example by helping to organize campaigns for mobilizing and directing public opinion. In cases of distress resulting from continuing situations or recurrent factors, emergency assistance should be accompanied by action intended not only to relieve the effects but to remedy the causes. That applied to the natural and human problems affecting the Sahelian area of Africa and other countries in a similar climatic situation. Those problems were not accidents or mere episodes. Their solution called for a sustained effort within the framework of medium- or long-term programmes, which should obviously include research in the natural, social and human sciences, together with educational and cultural action with respect to population behaviour, in all of which UNESCO was particularly well qualified to promote useful co-operation with other organizations of the system.

6. By the nature of its activities, the contribution of UNESCO would clearly be greater in the case of more or less long-term operations than in emergency assistance. Its programme and medium-term plan included numerous

undertakings, many of them in operation for a number of years, based on the same concerns as were the Programme of Action in general and the Special Programme in particular. In the latter connexion might be mentioned the activities dealing with literacy, technical training, the introduction and transfer of technology, public information and the plan to convene a Conference of Ministers of Education from the least developed countries in 1975.

7. He was convinced that the General Conference would have no major difficulty in directing the proposals prepared during the past winter for the forthcoming programme and for the medium-term planning objectives along the main guidelines defined by the sixth special session of the General Assembly. That direction was already essentially being followed. It would suffice first of all to strengthen the emphasis here and there, in the hope that the substantial additional resources which could be anticipated if the Programme of Action was to live up to its name would make it possible to give practical substance to the essentially promotional projects in the UNESCO regular programme, and then to see that those projects were further implemented through broad operational action.

8. Above all, the UNESCO contribution would relate essentially to the social aspect, the importance of which could not be over-emphasized. It was natural that the discussion at the sixth special session of the General Assembly should have emphasized economic questions and solutions, since those were the factors which conditioned all the others and since it was undoubtedly the economic crisis which had stimulated awareness of the need for a new world order. The social dimension, however, was at least as important as the economic dimension since it formed an integral part of development and of all other work for international justice. Development could no longer be reduced to mere growth, or its evaluation simply to average *per capita* income. It was essentially a human process, of which man was the means and the end. Questions of a strictly social nature such as employment or the distribution of national income were therefore at the centre of the development problem, and basic social services such as health and education were in the forefront of the needs and priority claims of the people.

9. The term "social" should moreover be understood to include the cultural aspect. Material well-being alone should in no case be taken as representing development; human dignity was at least as important as happiness, and that dignity whose conscience was culture had no meaning except in relation to those values which were the reasons for living. What was known as the "quality of life" defined that dual demand for happiness and dignity that would be meaningless without its cultural dimension, which the younger generation were increasingly regarding as the criterion of true development. Environmental problems had suddenly acquired great importance as a challenge to industrial civilization itself. Even if it was recognized that, for a number of countries whose economies were still outside the industrial civilization, growth remained essential for remedying the shortages from which they suffered, it was quite impossible, in establishing a new order of relations among developed and developing nations, to neglect the socio-cultural considerations he had mentioned.

The serious cultural difficulties encountered in assisting those countries, particularly in the transfer of technology, were an ever-present reminder of that essential aspect of development problems.

10. The social element was just as much a dimension of international order as it was of national development. In speaking of dignity, he could just as well have used the word "justice", which was the overriding social objective. The desired new world order was essentially a more just order. The promoters of the sixth special session of the General Assembly had emphasized that point. International justice, however, could not be confined to relations among States: to be real it had to relate to the peoples themselves in their actual conditions, which meant that international action should be concerned with those conditions. It was impossible to be satisfied with a situation in which a State was rich and powerful and its leaders were able to express and defend their views on the world scene if large sections of its population lived in poverty, ignorance and passivity. The economic liberation of States, following on their political independence, must be accompanied by a corresponding emancipation of their peoples: that was the very definition of social progress.

11. Such should be the aim and the ultimate justification of the Charter of Economic Rights and Duties of States, and such must be the meaning of the interest which the organizations of the United Nations system, including UNESCO, would devote, in their respective fields of competence, to the question of the relations between the activities of multinational corporations and the autonomy and authenticity of national development.

12. Turning to his second main point, the strengthening and improvement of the United Nations system, in pursuance of Council resolution 1768 (LIV) and General Assembly resolution 3172 (XXVIII), he stated that his comments on the subject would be made in his personal capacity and would be the conclusions of his own reflections on 28 years of service.

13. A review of the system as a whole was timely and necessary. No system of intergovernmental institutions had lasted so long. Not only was it by far the most complex system that history had known, but the world had never undergone such great and rapid change as during the 30 years which had elapsed since the system had first been conceived. That was a dual reason for pondering the adequacy of the instrument for the great new tasks of the future.

14. Neither the constitutions of the institutions nor even the inter-agency agreements were in question. The humanist ideology on which the constitutions were based had lost none of its value; on the contrary, it should be adhered to more firmly than ever in the face of the divisive interests and passions threatening the human family. The agreements were formal provisions whose sole object was to serve as a framework for co-operation without defining it; only the substance of such co-operation, its guiding ideas and its practice mattered. It was in that spirit of realism that he and his colleagues in the UNESCO secretariat had endeavoured to respond in document E/5476/Add.3 to paragraph

13 of Council resolution 1768 (LIV). He was deeply convinced that the entire system of inter-agency relationships should be reviewed realistically. He accordingly withdrew the statement contained in the corrigendum to document E/5476/Add.3, which was in fact a misunderstanding and would have him say the opposite.

15. The structures referred to in the General Assembly resolution should certainly be reviewed but the functional aspect – methods of work, approaches to problems, and guidelines for the search for solutions and their application – was more important and should be studied closely in a critical and realistic spirit which was open to innovation.

16. The capacity for synthesis in the existing system should be strengthened and improved. The analytical treatment of problems, from the point of view of thought and action, and consequently the performance of the various institutions in the system, considered separately, were in general highly satisfactory. On the other hand, the ability of the system to conceptualize and act as one left much to be desired. A serious effort should be made without delay to overcome its defects if it was desired that the system should be capable of adequately performing the tasks whose synthesis should fall to it in the establishment and functioning of a new international economic and social order.

17. The functions of synthesis of the system should be exercised above all in the recognition of situations and problems and in the definition of objectives embracing specialized activities in the various aspects of those situations and problems. For that purpose, the system should be equipped with permanent central machinery, both for the collection and synthesis of information and for the formulation of objectives and strategies. An organ for information collection and forecasting and a technical staff, both of high quality, were needed, to be at the direct disposal of the Council to provide all the necessary data on which to base its decisions as well as guidance for their implementation, care being taken to ensure that such machinery was not viewed as being apart from or above the system. The participation of most, if not all, of the system's components in those organs was essential.

18. The effective co-ordination of efforts in so diversified a system could be achieved only by concerted programming of medium-term plans. Short-term projects required a different type of co-operation which would vary according to the situation and for which there was no need to formulate general principles. It was fortunate that for some years many specialized agencies, in particular UNESCO since 1969, had been committed to medium-term programming and had thus achieved the necessary basis for methodical concerted action. In that connexion, he drew attention to the ACC report (E/5488), which on many points coincided with suggestions in the report of Inspector Bertrand on medium-term planning in the United Nations system.¹ Once the questions and problems of general methodology had been clarified, it would be a matter of

setting up the necessary machinery to ensure the regular functioning of concerted medium-term programming. Such machinery should be designed first to deal with general problems in particular areas which could be dealt with in the framework of ACC. Some on-site machinery for country programming would then need to be devised, taking into account the useful but still inconclusive experience of UNDP in the matter.

19. The system was only an instrument and could not work alone. What was most important was the political will of the Governments gathered together and served by the system. That political will should be demonstrated as clearly as possible in the coming months in order to make the best possible use of the exceptional opportunities for renewal of international relations and to ward off the serious dangers of the economic crisis.

20. Political will must be affirmed particularly in two areas: that of resources and that of multilateral negotiations.

21. If the organizations of the United Nations system were to face their growing responsibilities, it was essential for their resources to be significantly increased. That applied particularly to their regular budgets, on which their efficiency and competence depended, and without which the organizations could not accept to increase indefinitely operations financed from extra-budgetary resources.

22. With regard to multilateral negotiations, the system had two essential functions: to serve as a forum where points of view could be expressed and ideas exchanged and to function as a series of institutions each of which was an instrument for planning and implementing concrete programmes of international co-operation. The system also had the essential task of promoting and organizing multilateral negotiations, on an equal footing. In considering the establishment of a new international order, States should express their willingness to make greater use of the opportunities offered by the system in that respect. Such negotiations were essential before the next special session of the General Assembly took place.

23. Concluding with a personal note on the occasion of his last address to the Council as Director-General of UNESCO, he emphasized that the system was made up of men and women – delegates representing Governments and civil servants. It was essential for the harmony of the system that those two groups should understand and respect each other and collaborate in an atmosphere of confidence. It was also highly important for civil servants to understand that their profession involved an essential element of vocation. A person entering the service of the United Nations system did so not simply to earn his living but because he had convictions. In his personal experience, the overwhelming majority of men and women who were privileged to serve the system not only were competent, devoted and loyal, but believed in what they were doing. That element of faith and conviction was as important as the concept of efficiency and yield. It behoved those men and women to serve to their utmost, and it behoved Governments to give them growing reason for daily hope and pride.

¹ JIU/REP/74/1. Subsequently circulated under cover of document A/9646.

24. The PRESIDENT said that he wished to express deep appreciation to the Director-General of UNESCO for his long and devoted service to the United Nations system for the benefit of humanity. His words gained a particular poignancy on what was to be his last appearance before the Council.

25. Mr. Sardar SINGH (India) said that one of the essential tasks before the Council at its present session would be to agree on a timetable for implementing the decisions taken by the General Assembly at its sixth special session and to assign responsibility for that implementation to the competent United Nations bodies. The deliberations at the special session had demonstrated that the economic difficulties facing the world could be surmounted only by concerted action, in a framework of international co-operation based on equality and equity. The developed world was being made to realize that it could not continue to base its affluence on the exploitation of the natural resources of developing countries and on the poverty of their people. The poor countries had been particularly affected by the recent financial and economic crises, yet their interests had hitherto played only a marginal role in the search for solutions. The just demands of the producers of some raw materials for a more equitable return for their products had brought into focus the interdependence of nations. The decisions of a few must no longer determine the destiny of many. What was needed was the political will to seek effective solutions to the development problems of all nations, rich or poor, developed or developing. Inflation was a global phenomenon, but its repercussions had been particularly serious for those developing countries whose raw material exports had not benefited from the recent price increases.

26. The Council should not be content with a mere discussion of theoretical concepts, but should relate its discussions to real problems and seek solutions. Urgent and forthright action was required to prevent the economic collapse of developing countries seriously affected by the present economic crisis. The Declaration and the Programme of Action adopted by the General Assembly, if implemented speedily and effectively, could help to remedy the inequities and weaknesses of the international economic system. Those two documents were the result of intensive negotiation and represented a compromise which did not fully reflect the needs and interests of developing countries. It was therefore all the more regrettable that they were not fully supported by all developed countries. He appealed to all the countries and organizations represented to join in a common endeavour to implement those measures. He hoped that the developed countries in particular would show the political will to move towards the new economic order with courage and vigour, since their own long-term interests coincided with those of the rest of humanity. Opulence could not continue to exist in isolation amid poverty.

27. Of all the measures adopted by the General Assembly, the Special Programme of emergency measures deserved the most serious and urgent attention of the international community. The very purpose of emergency relief would be defeated unless it was provided speedily. He welcomed the Secretary-General's appeal for emergency assistance to the

most seriously affected countries and his appointment of Mr. Prebisch as head of the emergency operation. It was essential to ensure that the volume of imports of such countries was maintained for at least twelve months, in order to safeguard their development programmes. Because of the vast increase in the prices of certain imports, that could only be done through the transfer of funds to them. The emergency programme should be put into operation by August 1974 at the latest. A well co-ordinated emergency operation was crucial to the adjustment process in those countries. He appreciated the response of the countries which had announced generous contributions to the emergency programme and hoped that other countries in a position to do so would soon take action commensurate with the magnitude of the problem. Every effort must be made to strengthen the hand of the Secretary-General to ensure that the administrative problems involved in the distribution of funds under the emergency programme would be reduced to a minimum and that the operation would be carried out smoothly and efficiently.

28. The most seriously affected developing countries would obviously have the greatest difficulty in adjusting to the changed circumstances and might well take several years to do so. The Special Fund established under the Programme of Action was not a development fund but a means of assisting those countries to rejoin the mainstream of development. It was regrettable that specific proposals concerning the modalities of operation of the Special Fund had not been submitted to the Council for consideration at its present session. The *Ad hoc* Committee on the Special Programme had submitted only an interim report (E/5555) outlining the major proposals made and the views expressed. The appointment of a governing council for the Fund would be an important step. He hoped that the scope, size and modalities of the Fund would be established as a matter of urgency.

29. The General Assembly had called for the establishment of an equitable relationship between the prices of developing countries' exports and imports. That subject would have to be thoroughly studied by UNCTAD with a view to preparing an integrated plan for a progressive improvement in commodity prices, with due regard for the rate of inflation in developed countries and the needs of developing countries. Such an improvement would have to be broadly based and orderly. The current intergovernmental consultations in UNCTAD had so far failed to achieve the results expected. The developed countries had been reluctant to make commitments, on the pretext that they could only be made within the framework of the multilateral trade negotiations to be held under GATT. Those negotiations had not yet begun, despite the decision taken by the Ministerial Meeting at Tokyo in September 1973. If the promises made to the developing countries were to be fulfilled, the measures contemplated in the Tokyo Declaration, the International Development Strategy for the Second United Nations Development Decade and the recently adopted Programme of Action must be implemented as a matter of urgency. The recent enlargement of preferential arrangements among developed countries and the reduction of industrial tariffs which was expected to follow the multilateral trade negotiations would seriously erode the benefits secured by the devel-

oping countries under the generalized system of preferences. While welcoming the trend towards trade liberalization, the developing countries were anxious to ensure that they did not lose by it. The generalized system of preferences should first be made fully operational through its application by countries which had not yet done so and through substantial improvements in the schemes already in operation.

30. The General Assembly had also made important recommendations regarding monetary reform and development financing. The developing countries had a vital stake in the smooth functioning of the international monetary system and no reform would have much meaning if it did not improve international conditions for their development. They had at last been conceded the right to participate in international monetary policy-making, but they also had a right to expect any reform of the world monetary system to redress some of the inequities which had condemned them to a low level of development.

31. The Programme of Action rightly emphasized the promotion of collective self-reliance and co-operation among developing countries. The enormous potential for increasing that co-operation in all fields must be effectively explored. The Fourth Summit Conference of Heads of State or Government of Non-Aligned Countries had expressed the view that the 1975 special session of the General Assembly called for in General Assembly resolution 3172 (XXVIII) should be devoted exclusively to problems of development, including the initiation of appropriate structural changes in the United Nations system to make it an effective instrument of international economic co-operation. While it was imperative for such structural changes to be carried out, India felt that the special session should concentrate mainly on actual problems of development and should consider the results of certain important conferences held in the meantime, such as the World Food Conference and the World Population Conference. Development problems could not be tackled without detailed consideration of such important influences on international economic stability as increasing population pressures and world-wide shortages of food, fertilizers and raw materials.

32. The failure of the First Development Decade had been blamed on the absence of a development policy. That omission had been rectified and the international community was now committed to a detailed development strategy. The objectives had been defined and there was an agreed programme of action for attaining them. All that was needed was the political will to act.

33. There could be no collective economic security in the world unless international economic conduct was based on equity. In international economic affairs, exploitation of the poor by the rich was still the order of the day. Equity, however, did not mean equal treatment, which was equitable only among equals. If collective economic security was to be fostered, there would have to be deliberate preferential treatment where necessary in order to redress economic injustice and promote a better world economic order. The need for emergency assistance mentioned in the Secretary-General's note on assistance in cases of natural

disaster and other disaster situations (E/5531) was a symptom of the economic ill-health of the world. Collective economic security must be such as to render emergency assistance unnecessary.

34. The Council had special responsibility for co-ordinating the actions of the organs of the United Nations system, which had a crucial role in the implementation of the decisions adopted by the General Assembly at its sixth special session. Those bodies must be constantly improved to enable them to play their part in the new world economic order. Interdependence and adequate co-ordination were necessary for the effective functioning of the United Nations system as a whole, but each organ required a proper degree of autonomy to enable it to function unhampered in its own sphere. While strengthening the Council's co-ordinating role, it was important to guard against excessive centralization in decision-making or direction in the sphere of international economic co-operation.

35. The report of the Group of Eminent Persons convened to study the role of multinational corporations on development and on international relations (E/5500/Add.1) was of particular significance for the present session of the Council. The report made a number of suggestions for action by Governments at the national level. As the Group of Eminent Persons had acknowledged, however, co-ordinated action at the international level was needed. A generally acceptable and applicable international code of conduct for the regulation of the activities of multinational corporations would have to be formulated. He welcomed the recommendation that a commission on multinational corporations should be established (chap. III). The terms of reference proposed by the Group for that commission were appropriate. The commission should take up as a matter of priority the development of a regulatory framework. He also supported the establishment of an information and research centre on multinational corporations. Appropriate institutional machinery at the international level would facilitate the continuing and effective involvement of the Council and the United Nations system in the study of the activities and role of multinational corporations. He hoped that the Council would take action at the present session to enable the General Assembly to make the proposed institutional arrangements later that year.

36. In his opinion, the following points should be particularly borne in mind in the Council's deliberations. Bold new measures were needed in regard to raw material and primary commodity prices to reverse the continuing trends of stagnation or decline in the real prices of several commodities exported by developing countries. The specific problems of developing countries, particularly in times of food shortages, should be taken into account in international efforts to deal with food problems, and developed countries should adjust their economies to facilitate the expansion and diversification of imports from developing countries. The generalized system of preferences should be improved and extended, and the principles of non-reciprocity and preferential treatment should be introduced in favour of developing countries in their trade relations with developed countries. Reform of the international monetary system should be undertaken with the

equal participation of the developing countries and a link should be established between SDRs and development finance, with due regard for the burden of debt-servicing. All possible international efforts should be directed towards promoting the rapid industrialization of the developing countries. The transfer of technology to developing countries should be improved qualitatively and quantitatively, and care should be taken to ensure that the technology corresponded to needs and conditions in the developing countries. The activities of transnational enterprises should be regulated and controlled, and provision should be made for ensuring that the "package" provided by such enterprises conformed to the needs of the host country. Co-operation among developing countries should be promoted, since it was through their own efforts that their development should ultimately be achieved. The emergency needs of developing countries most seriously affected by the recent economic crisis should be urgently and effectively met through timely international assistance, including additional liquidity on an appropriate scale. The role of the United Nations system in the field of international co-operation and development, and in the economic and social fields in general, should be strengthened and made more effective.

37. Mr. BARCELÓ (Mexico) said that his country had always considered that the fundamental role of the Economic and Social Council was to promote measures beneficial to all peoples, but in particular to improve the quality of life in developing countries by assisting them to overcome their problems of poverty, unhealthy conditions and illiteracy. Measures to that end should be based on the right of each State to make use of them as it pleased, free from any economic, political or other form of pressure. The Council should co-operate fully both to protect inalienable human rights and to promote economic development and the development of international trade in accordance with the legitimate interests of all peoples. It was therefore essential that the Council should play its part fully in implementing the main decisions taken at the sixth special session of the General Assembly. Some questions requiring further analysis should be referred to the specialized agencies and regional organizations, where co-operation was often most successful.

38. It should be borne in mind that the peoples of the third world were unshakeably resolved to determine their future on the basis of full sovereignty over the exploitation and use of their natural resources; the channelling of their internal and foreign investments to the uses they deemed most appropriate; the control of the transfer of technology on viable terms; the harnessing of the activities of transnational enterprises to the goals of the International Development Strategy, and all other matters relating to the achievement of independent and self-sustaining economic and social development.

39. The UNCTAD Working Group on the Charter of Economic Rights and Duties of States had recently completed its work on the final draft of the Charter. He hoped that the document to be approved by the United Nations would embody the legal, economic and political principles required to overcome the current world economic crisis and to improve the development prospects of the third world.

Those principles would constitute the basis of the new economic order. The President of Mexico had had that object in mind when he had proposed such a charter at the third session of the United Nations Conference on Trade and Development.

40. The Economic and Social Council should intensify its efforts to ensure the provision of assistance to the developing countries in the areas in which it was most urgently needed. To that end it should provide itself with up-to-date information but it should avoid creating a plethora of study groups. The forthcoming World Food and World Population Conferences would no doubt consider those problems in the context of general economic development since, as the President of Mexico had remarked, it was wrong to assume that such problems could be solved in isolation: the population explosion was an essential aspect of under-development and it could only be put right by development.

41. It was to be regretted that the Council's agenda was so overloaded that it gave no opportunity for detailed discussion, while the delay in receiving the documents for the session made it impossible for the experts in the relevant Government departments to provide a careful analysis of the subjects under review. Such a state of affairs detracted from the Council's creative potential. For that reason his delegation would confine itself to stating its views on a few subjects of fundamental importance.

42. Mexico reaffirmed its right to exercise full and permanent sovereignty over its natural resources and related economic activities. Its domestic legislation provided for the fullest use of that right; recently a number of foreign undertakings exploiting Mexico's natural resources had been nationalized. Mexico insisted that any disputes arising from the exercise of permanent sovereignty over natural resources should be settled in accordance with domestic legislation, which made provision for indemnity in the case of expropriation. His delegation supported the statements made on that subject in the Declaration adopted by the General Assembly. Permanent sovereignty over natural resources enabled States to determine the key sectors of their own economy and the scope and nature of direct foreign investment in various fields of the national economy. In the case of Mexico, the present law relating to foreign investments clearly defined the field of action of foreign investment in order to make it complementary to the investment of domestic public and private capital and to harmonize it with national development objectives. Properly directed foreign investment was particularly useful in the fields in which higher technology was required in order to produce competitive goods and services for international markets and capital goods required to accelerate the industrialization process.

43. The growing influence of transnational corporations, through the internationalization of production, posed a serious threat to national sovereignty and made it necessary to regulate their activities. In Mexico the laws relating to foreign investments and the transfer of technology covered the activities of international undertakings. His delegation would support the establishment of an appropriate body under the Economic and Social Council to keep under

review the impact of such enterprises on development. It agreed with the views expressed in its report by the Group of Eminent Persons that direct foreign investment should not be a substitute for international assistance. With regard to the Group's recommendation that host countries should set up centralized negotiating services to deal with foreign investment, Mexico had already done so through the creation of the National Committee for Foreign Investment and the National Register for the Transfer of Technology, and it was prepared to place its experience at the disposal of other developing countries. The United Nations could assist developing countries by helping them to review periodically the terms of negotiations with foreign investors. His delegation agreed that host countries might, in appropriate cases, adopt policies towards foreign investors similar to that applied to indigenous companies. Such policies should be studied with a view to their adoption on a regional basis. He noted with satisfaction that the Group of Eminent Persons had unequivocally condemned any intervention by multinational corporations in the internal affairs of the host country. The metropolitan countries should avoid becoming entangled in disputes between subsidiaries of transnational corporations and the host State.

44. His delegation would support a resolution embodying such recommendations of the Group of Eminent Persons as the Council deemed acceptable, in particular the establishment of a commission on multinational corporations together with an information and research centre. The commission should be under the direction of the Economic and Social Council, which should review the subject at least once a year.

45. Mexico supported the proposed code of conduct for transnational corporations, provided it did not infringe the national sovereignty of the recipient country. It also suggested that the code should embody the following principles, which were applicable both to transnational corporations and to foreign investment in general: such investment should be supplementary to national investment; it should not displace national undertakings or enter areas adequately covered by such undertakings; it should have positive effects on the balance of payments and particularly on the increase of exports; it should have beneficial effects on employment bearing in mind both the level of posts and the remuneration of workers; it should employ and train technical and administrative personnel belonging to the host country; it should use to the maximum extent national inputs and components in its products; it should finance its operations from external resources without calling upon the internal savings of the host country; it should promote the diversification of investment funds; it should contribute to the development of zones or regions of relatively less economic development in the host country; it should not assume a monopolistic position in the domestic market; it should provide the technology most appropriate to the conditions of the host country and contribute to the research and development of domestic technology; it should have a favourable influence on price levels and quality of output; it should respect the social and cultural values of the host country; it should be directed towards activities of importance to the economic development of the host country; it should identify itself

with the interests of the host country; it should not distort patterns of consumption; and, in general, it should co-operate in achieving the goals of the host country's development policy.

46. As a member of the Committee on Science and Technology for Development, Mexico had taken an active part in that Committee's second session and had collaborated in the preparation of its draft resolutions. His delegation would accordingly support any action by the Council to give effect to those resolutions.

47. Mexico had participated actively in the Preparatory Committee for the World Food Conference and its delegation had expressed the view that the Conference should devote itself mainly to increasing the production and consumption of foodstuffs in the developing countries. The delegation had also reiterated its interest in the creation of a World Food Bank, which had been proposed by the President of Mexico.

48. The first review and appraisal of the International Development Strategy had served to reveal the lack of international co-operation in that field. It was essential that the international community, particularly the developed countries, should fulfil the targets for development assistance established in the Strategy. There could be no stability built on wide disparities between peoples. His delegation hoped that at the mid-term review in 1975 the special session of the General Assembly would revise the policies and objectives of the International Development Strategy with a view to closing the gap which still divided the rich and poor nations and thus achieving the objectives set out in the preamble of the United Nations Charter. The Economic and Social Council should therefore give priority to considering what action should be taken by the United Nations system to that end.

49. The Mexican delegation had played an active part in the drafting groups which had drawn up the Declaration and Programme of Action adopted at the sixth special session of the General Assembly. Mexico hoped for the speedy and effective implementation of the Programme, particularly such concrete measures as the expansion of the trade of developing countries and the improvement of their terms of trade.

50. The problem of housing was vital to development; the fact that in developing countries there were only 50 dwellings per 1,000 inhabitants showed how much needed to be done simply to prevent any deterioration of the situation, let alone to improve it. His delegation considered that a unified approach through the United Nations could greatly assist in mobilizing international co-operation in that field. The problem in Mexico was particularly acute, although the construction industry was one of the most dynamic sectors of the economy and the Federal Government was making great efforts to provide reasonable housing. The developing countries required external assistance from all sources to provide sufficient financing for the local construction and allied industries and to translate General Assembly resolution 2998 (XXVII) into practical terms.

51. The Mexican economy in 1973 had followed the general growth patterns for Latin America; its GNP had increased by 7.5 per cent, the same as in the preceding year. There had been some unfavourable factors such as an increase in the price index and a deterioration in the terms of trade. The authorities had taken a number of anti-inflationary measures. Despite low agricultural output and the unfavourable international situation, the value of industrial output had increased by 10.7 per cent in 1973 and a substantially increased agricultural output was anticipated for 1974/75. As a result principally of the economic crisis, the deficit in the balance of payments had increased but had been somewhat offset by receipts from tourism and frontier operations. Exports had increased by 25.1 per cent and Mexico had exceeded the targets fixed by the International Development Strategy for all growth components. Indeed, Latin America in general had exceeded its annual average target. Nevertheless, the United Nations could still do much to further international economic co-operation by persuading the international community, particularly the developed countries, to increase the flow of real resources for development purposes.

52. For 25 years the Economic and Social Council had been helping the developing countries, but perhaps not as rapidly as might have been desirable. Some of its organs, such as ECLA, had provided a high standard of technical assistance which had been useful both for regional integration and for the development of individual countries. If, however, the Economic and Social Council was to realize its full potential, some changes in its structure, functions and methods of operation would be required. The Council must strive to raise the general level of living and to overcome under-development, affirming its determination that all men and all peoples should achieve independence.

53. Mr. STANOVNIK (Executive Secretary, Economic Commission for Europe) said that the main characteristic of the economic situation in the ECE region, which included most of the world's developed countries, was a continuous pressure on resources, which had accelerated inflation in many countries and obliged others to adjust their planned targets. Recent developments in commodity, and especially energy, markets had aggravated the situation.

54. During 1973, both the market-economy countries and the socialist countries of the region had attained high rates of growth in production, national income and foreign trade. However, the high level of economic activity attained in the middle of 1973 had since declined rapidly in many countries, although there were now some signs of improvement. In 1974, the market-economy countries were expected to attain an economic growth rate of 1 or 2 per cent, with a similar increase in imports and a somewhat higher one in exports. Growth rates in the countries with centrally planned economies had, with few exceptions, also tended to slow down.

55. Inflation was perhaps as much a problem of the 1970s as unemployment had been in the 1930s. The average annual increase in consumer prices had risen from 2.5 per cent in the latter part of the 1950s to the present 10 to 15 per cent. That rate was likely to rise further during 1974, since increases in wholesale prices and wages had not yet

been reflected in retail prices. Inflationary pressures had become ingrained in the socio-economic structures of the developed countries, and in the world economic and monetary structure, because of the spiral pattern of wage and price increases under conditions of full employment, the high level of economic activity and especially the anticipatory inflation of raw material prices and other costs. The international character of inflation was due to the high degree of economic interdependence. Many barriers to trade and capital movement had been removed in recent decades and foreign trade was expanding more rapidly than production. The importance of capital flows had also increased. The value of internationalized production now exceeded that of total exports among the western countries of the region. Current developments in the international economic system therefore had the effect of spreading inflation to all national economies. The deficit in the balance of payments of the main reserve currency country had no doubt favoured inflation by increasing world-wide liquidity, although some of its partners had until recently refrained from matching price increases by higher interest rates to avoid over-stimulating capital inflow and increasing inflation. The recent dramatic price movements in many international commodity markets had taken place against a background of speculative capital flows, bad harvests, depleted food stocks and rising food prices in the latest phase of the world-wide inflation.

56. The countries with centrally planned economies had also been affected by the increases in the prices of raw materials and fuel in the world markets, because of their increasing participation in those markets. Their policy of price stabilization within CMEA required additional financial resources as import prices increased. Budget subsidies, a major instrument of that policy, absorbed an increasing share of the national income, thereby limiting resources available for investment and development.

57. Statistical data might give the impression that the unfavourable trend for developed countries had improved the position of the developing countries. In 1973, the latter had increased their real export earnings by 8 per cent, improved their terms of trade by 10.5 per cent and had added \$11,500 million to their monetary reserves, and their share of world trade was likely to reach 27 per cent in 1974. That improvement was illusory. Their terms of trade had constantly declined over the past two decades. The recent increases in commodity prices had affected individual developing countries very differently. Moreover, the export price increases merely led to the redistribution of export income and their effect depended on how that income would be spent. If it was invested in new productive capacity in the developing countries, it would lead to a real redistribution of wealth and help world economic development. If it was used to provide financial shelter, it would have no redistributive effect and a potentially adverse effect on world economic growth. There was already evidence of such an effect in the slowdown in world economic growth, which in turn was likely to depress import demand and commodity prices if it continued. For example, the additional oil bill of the OECD countries was expected to be about \$55,000 million in 1974, resulting in a foreign trade deficit of \$35,000 million. That would increase the cost of industrial inputs and might encourage some of those

countries to adopt restrictive economic measures. In the present circumstances, the economic policies pursued by the Governments of developed countries played a decisive role. A restrictive economy could do infinite harm to growth and employment in the world as a whole. Moreover, traditional measures designed to deflate demand could create unemployment without stopping inflation. Only an internationally co-ordinated and truly co-operative growth policy could produce results beneficial to all. The developed countries could only pursue such a policy with the co-operation of the developing countries, and especially the primary producing countries. It was against that economic background that Governments were called upon to implement the Programme of Action adopted at the recent special session of the General Assembly.

58. Although the nature of the world's economic problems called for global solutions, there was room for, and a need for, regional action. In East-West trade, the emphasis had always been on basic materials. Energy alone represented almost one quarter of Eastern exports to the West. However, there was also extensive trade in technologies, especially those concerned with the efficient use of materials and energy. The development of such technologies would also benefit countries outside the region. Similarly, the growth of trade within the region would be of vital importance to the world economy as a whole. Economic co-operation among countries with different economic, political and social systems had always been a special concern of ECE and still offered great promise. The political situation in the region, symbolized by the Conference on Security and Co-operation in Europe, provided favourable conditions for the economic co-operation needed for establishing a new world economic order.

59. Mr. IGLESIAS (Executive Secretary, Economic Commission for Latin America) said that he wished to refer to three points: some features of economic development in Latin America in 1973, the impact of the world economic crisis on the Latin American region and the possibilities of a new world economic order.

60. Latin America had sustained its growth rate during 1973 at an average of 7.4 per cent, chiefly owing to expansion in the industrial and mining sectors. The dollar value of the region's exports had increased by 40 per cent, of which 33 per cent represented an increase in prices and 7 per cent an increase in the volume of exports. That favourable position was not attributable solely to world economic conditions but also to the dynamism shown by most Latin American countries in penetrating foreign markets. It was noticeable, however, that in most cases commodity prices had only attained levels which they had reached in the past and that the terms of trade relationship was less favourable than it had been in the 1950s. Since economic growth in Latin America was closely linked with performance in the external sector, the important question was whether the present favourable trends would continue. In order to answer that question, it was necessary to assess the international situation, in which there were many variables, both economic and political; account had also to be taken of a profound change of values in the industrialized community which had affected the goals of society.

All those elements would be factors in determining the new international order.

61. At the present time, however, the system of relationships remained unchanged: the industrialized countries constituted the centre and the developing world the periphery. The centre had the security of owning the financial markets and there was a danger that the experience of the past might be repeated and that the prices of industrial goods would remain high while the prices of commodities fluctuated, with consequent adverse effects on Latin American terms of trade. Although there were a number of imponderables, it might be said that there was at present a better prospect of achieving international agreements on commodity prices.

62. Increased prices of imports in 1973 had affected the balance of payments in Latin American countries and inputs for agricultural production. Serious imported inflation had particularly grave economic and social repercussions in Latin American countries, with their tradition of inflation which many of them had recently adopted stringent measures to contain.

63. The world economic situation offered a challenge at the national, regional and global level. The challenge at the national level had brought out clearly the differences between the various countries in Latin America and the need to revise the criteria on which they had been classified, taking into account additional factors such as natural resources, energy potential and accessibility of capital.

64. The secretariat of ECLA had classified the countries of the region into three groups: those which were clearly benefiting from price increases; those which had considerable experience and could cope with the situation; those with fewer resources and which had serious problems.

65. For countries benefiting from the price increases, the problem lay in the choice between present consumption and future investment. The situation offered great opportunities to achieve self-sustaining development, to carry out rapid reforms and to extend the benefits of progress to the mass of the population. For the larger countries in the region with room to manoeuvre, the international situation posed problems but also provided opportunities, since they had natural resources, energy and instruments of economic policy which they could use as defensive weapons. The most important aspect was that the situation gave them a chance to review the role of their domestic markets and to extend regional co-operation. The most serious problem occurred with the smaller countries in the region where the impact of price increases was greatest. Their domestic policy would have to be carefully managed and support from the international and regional community would be a key factor in maintaining their stability.

66. With regard to the challenge at the regional level, Latin America had already had successful experience of regional co-operation. The present situation offered the possibility of co-operation in many new fields, to exploit Latin American resources and business acumen.

67. At the world level, the economic crisis had given Latin America the opportunity to collaborate in international forums in bringing about a new order. Like the other developing countries, Latin American countries were conscious of the dangers inherent in the old system and the Charter of Economic Rights and Duties of States had been a Latin American initiative. A key element in a new international order would be the position of raw materials:

no international order would be lasting unless it was based upon just commodity prices agreed upon between the producers and the industrialized countries. He believed, however, that the present difficulties were capable of rapid and successful solution because all countries were now well aware of their interdependence.

The meeting rose at 12.55 p.m.

1904th meeting

Friday, 5 July 1974, at 3.20 p.m.

President: Mr. A. KARHILO (Finland)

E/SR.1904

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. DUMAS (France) reminded the Council that the General Assembly had entrusted it with the task of implementing the decisions taken at its sixth special session concerning the establishment of a new international economic order. The Council did not have much time before it to accomplish that task, and the context of crisis demanded rapid decisions. Furthermore the work had to be completed before the special session of the General Assembly due to be held in 1975.

2. With regard to the spirit which should inspire a new international economic order, his delegation had long been attached to three compelling concepts.

3. Firstly, the renovated international economic order should be the reflection of a new mentality, based on an objective knowledge of economic data as exact as modern methods of analysis made it possible to gather. All over the world, however, the economic concepts on which the adventure of development had been based, especially for the last 30 years, were undergoing profound change. The mere weight of the contemporary economy on a planet which henceforward permitted a foresight of its physical limitations should affect a great many viewpoints. Moreover, the demand for justice had irrevocably impressed itself on the world's conscience. In those circumstances, any retreat into self-sufficiency had become inconceivable; the persistence of inequality was now regarded as dangerous; and the necessity had appeared of jointly controlling mankind's future so that it should not be the victim of catastrophic mistakes stemming from fate or accident.

4. The protection of the common good, more and more closely identified with the simple survival of the human race, demanded a strengthening of international co-operation, while collective economic security called for a more

consistent structure. The Secretary-General's report on collective economic security (E/5529) was truly imbued with that spirit.

5. In the integrated concept of development which was that of the Council, no area of activity – the economy, social organization, science or culture – could be neglected.

6. The desire to strengthen international co-operation, however, should not lead to the obliteration of the second compelling concept, namely respect for national independence, a concept that was, moreover, one of the basic principles of the new international economic order. It was necessary to safeguard in all circumstances and for every nation the right to its inherent personality, its freedom to conclude political, economic and cultural alliances without let or hindrance and the possibility of forging its own destiny as it thought fit. The experience of the European Economic Community showed that that was not incompatible with co-operation.

7. That double attachment to independence and to organized interdependence was designed to replace the relationships based on force, which had prevailed hitherto, by relationships based on equality and justice among partners. With that aim in mind, it should be possible gradually to organize economic relations between countries so as to reduce to the minimum the part played in negotiations by inequalities based on power. To achieve that goal, it was necessary to increase the impact of the less fortunate by encouraging their development, especially in industry, and by facilitating the creation of regional groupings.

8. Lastly, the third compelling concept was that the new international economic order should be outward-looking enough, and lend itself in sufficient degree to continuous creation, as to be capable of flexible adaptation to all future developments; for by reason of the evolutionary process which mankind was at present undergoing, it would be necessary to control, perhaps for several decades, a continuing instability affecting to some extent all provinces of collective life. If that could be successfully ac-