

United Nations
**GENERAL
ASSEMBLY**

TWENTY-SIXTH SESSION

Official Records



**SECOND COMMITTEE, 1374th
MEETING**

Wednesday, 6 October 1971,
at 3.20 p.m.

NEW YORK

Chairman: Mr. Narciso G. REYES (Philippines).

*In the absence of the Chairman, Mr. Brito (Brazil),
Vice-Chairman, took the Chair.*

GENERAL STATEMENTS (continued)

and

AGENDA ITEM 12

**Report of the Economic and Social Council [chapters III to
VII, VIII (section A to E), IX to XIV, XXI and XXII]
(continued) (A/8403)**

1. Mr. RUTTEN (Netherlands) said that, as the Under-Secretary-General for Economic and Social Affairs had pointed out in his lucid introduction to the debate, the crisis in the international monetary system was due to a series of actions and inactions over a number of years. It had not occurred as a completely unexpected natural disaster, but a crisis situation had had to break out before the seriousness of the situation was realized.

2. The inability of Governments to adapt their policies to changing conditions was the main cause, and Governments would now have to adopt the necessary long-term policies whose importance for monetary reform had rightly been stressed by the Under-Secretary-General for Economic and Social Affairs. In view of the drastic measures taken by one Government, the current situation constituted such a threat for the world economy as a whole that certain decisions would have to be taken rapidly. As the Netherlands Minister of Finance had stated at the annual meeting of the International Monetary Fund (IMF), the current situation was characterized by a complete halt of the process of the liberalization of capital movements and, what was more important, by the danger of a downward spiral in trade as a result of protectionist measures, which, if continued, would very probably lead to a worsening of the recession, of which the developing countries would naturally be the main victims. Those countries must therefore be associated with the working out of a solution to those problems. Although, under Article 55 of the Charter, the United Nations was called upon to promote the solution of international economic problems, his delegation did not believe that it would serve any useful purpose at the present stage to discuss, or even to suggest specific solutions for, the present crisis. It must be dealt with in the first place by IMF and could be discussed later on by the Economic and Social Council. Nevertheless, in order to discharge its special responsibility in the matter, the General Assembly should draw the attention of all Governments to the very serious

dangers which the developing countries, in particular, would face if the present situation continued. Waiting was no solution because political and economic pressures would build up rapidly, and the continued application of protectionist measures would inevitably provoke counter-measures and retaliation from which the developing countries would be the first to suffer. The solutions, which must be found rapidly, should take fully into account the problems and interests of the developing countries, and, in that respect, he believed that the Secretary-General of UNCTAD could play a useful and important role by maintaining close contact with the Managing Director of IMF and consulting him on the impact which the current international monetary situation might have on trade and development, particularly for the developing countries.

3. The new Government of the Netherlands had decided, like its predecessor, to give a high priority to international co-operation for development and to accept the International Development Strategy for the Second United Nations Development Decade as its guideline for policies and action in that field. The Netherlands Government had prepared a new four-year plan for the period 1972-1975, indicating the broad outlines of its programme of action in the field of co-operation for development. Under that programme, more financial resources would be made available for development co-operation; policies and actions would increasingly be placed within an international and multilateral framework; development co-operation would be guided in a higher degree by priorities established by the developing countries; policy would be oriented more towards structural problems related to international trade and to an international division of labour; larger opportunities would be given to representatives of the national economy, including the trade unions, to become involved in development policy through participation in discussions and studies and by familiarizing themselves with the new insights which were gaining ground in those fields; and contacts with private organizations would be intensified with a view to establishing close links between the activities of those organizations and the basic considerations guiding governmental policy.

4. The four-year plan provided for making available during the period 1972-1975 an amount of more than 5,000 million guilders for official development assistance, which represented an increase of 66 per cent over the previous four-year period. The Netherlands Government was thus confident that it would meet the target of 0.7 per cent of its gross national product in official development assistance, set by the Strategy. As a consequence of the decision to give greater emphasis to international and multilateral assistance, the Netherlands planned considerable increases in its contributions to, among others, the regional development banks, UNDP and the United Nations Fund for

Population Activities. At the end of the four-year period, in 1975, the Netherlands contributions to the regional development banks were to be increased by 250 per cent as compared with 1971 and those to UNDP by more than 50 per cent, while its contribution to the United Nations Fund for Population Activities would be sextupled. That considerable financial effort showed the importance which the Netherlands Government attached to international co-operation for development and its willingness to give it priority over the often urgent needs of national development. His country was confident that such a policy would be followed by other Members of the United Nations, including the most developed ones, and that recent measures concerning considerable cuts in foreign aid would be of a transitional nature owing to exceptional circumstances, because the momentum gained by the adoption of the Strategy must be maintained.

5. With regard to the most important recommendations contained in the report of the Economic and Social Council, the central questions were concerned with what would be the role of the Council during the coming years and, more specifically, what would be its responsibility and what part would it take in the implementation of the International Development Strategy; what measures should it take to face its responsibilities and carry out its task. His delegation sincerely hoped that the debates in the General Assembly would make it possible to bridge the gaps which had emerged during the discussion leading to the adoption of Council resolution 1621 (LI) and that it would be possible to reach conclusions which could be supported by the largest possible majority. In that connexion, it should be recognized that the Charter had assigned to the Economic and Social Council a central role in the co-ordination of international economic and social policies. It should also be borne in mind, however, that that responsibility had been delegated to the Council by the General Assembly, which, as the sovereign body of the United Nations family of organizations, retained the over-all responsibility in the economic and social fields. Secondly, since the International Development Strategy had been conceived of essentially as an integrated and co-ordinated set of interdependent objectives and policy measures, its implementation required an equally co-ordinated and integrated approach to the economic and social aspects of development. That was true not only with respect to the action to be undertaken but also—and what was even more important—with respect to the biennial review and appraisal. It was therefore logical, in view of the role assigned to the Economic and Social Council by the Charter and the essential characteristics of the Strategy, that the Council should play an important part in the implementation of the latter, including the procedure for review and appraisal. That was, moreover, self-evident, since no other organ was in a position to have an over-all view of international, economic and social co-operation in all its different aspects. Nor was there any other organization, except the General Assembly, which was competent to discuss regional or sectoral problems. As the central body for the co-ordination of economic and social policies, the Economic and Social Council should therefore co-ordinate, with the help of the Committee for Development Planning and the Secretariat, the work undertaken at the national, regional and sectoral levels for the implementation of the Strategy, which, in his delegation's view, would include the

co-ordination of activities relating to review and appraisal, subject to the final decisions to be taken by the General Assembly. Contrary to the forebodings expressed by some delegations, assigning such an important role to the Economic and Social Council would not necessarily result in a weakening of other organizations, in particular UNCTAD, nor would the position and influence of the developing countries be impaired if the Council were to take part in the process of review and appraisal. Such misgivings were based on a misunderstanding of the nature of review and appraisal and of the relationship between UNCTAD and the Council, and he hoped that the more detailed discussions which would take place under agenda item 45 would provide an opportunity to clarify the matter. His delegation most certainly did not want a weakening of UNCTAD, but the strengthening of UNCTAD—a desirable objective—should not mean a weakening of the Council, any more than the Council would be weakening the position of UNCTAD by playing the role which logically fell to it. On the contrary, they could, and should, help and reinforce each other through close co-operation and co-ordination at every level.

6. In order to play that role, the Council must have the confidence of all Members of the United Nations. Unfortunately, it seemed to have lost, in his delegation's opinion, its representative character, because the membership of the United Nations had increased considerably in recent years, while the composition of the Council had remained unchanged. His delegation therefore supported the recommendation contained in resolution 1621 (LI) to increase the membership of the Council and to take the necessary measures to that effect. It also agreed that, as an interim measure, the membership of the sessional committees should be enlarged. However, care should be taken while improving the representative character of the Council not to impair its efficiency; if its membership was doubled, i.e., raised to 54, there was a risk that the Council might thereby become unable to achieve significant results. If, however, for reasons of geographical distribution, it proved impossible to limit the increase, the Council should undertake a review of its procedures and working methods in order to be able to cope with the new situation; the decisions already taken by the Council in that regard during its fifty-first session (resolution 1623 (LI)) were certainly useful but might not be sufficient to solve the practical problems arising out of such an increase in its membership. The objective of the recommendation which the Council had addressed to the General Assembly in its resolution 1622 (LI) was to improve the work of the Council and at the same time achieve a better distribution of work between the Council and the Assembly. His delegation agreed with the general tenor of that recommendation, but it had many questions regarding the exact meaning of some of its operative paragraphs and hoped that the main sponsors of the resolution would be in a position to provide some clarifications on the subject, even making amendments to the original text, if necessary.

7. Mr. SKEETE (Barbados), after describing the serious difficulties that faced Barbados and the other developing countries, referred to a number of international phenomena and indicated their effects on the developing countries. International inflation, for instance, affected Barbados where imports accounted for 82 per cent of the gross

domestic product. Again, 10 per cent import surcharge imposed by the United States, while not affecting exports of primary commodities or commodities under quota restrictions, constituted a serious obstacle to Barbados' export growth and eliminated a substantial proportion of employment in the manufacturing sector. It was clear that international problems could not be solved by the adoption of measures at the national level.

8. In his view, the measures being adopted at the international level to deal specifically with the problems of the developing countries were equally inadequate. It had been suggested that it would be advantageous to the developing countries if their exports were exempted from the 10 per cent surcharge of the United States; however, no mention had been made of the unemployment and structural upheaval brought about by the surcharge and, above all, the social consequences arising from the loss of certain export markets. Again, it was often said that a return to normalcy in the economic affairs of the rich and prosperous countries would indirectly help to promote the prosperity of the poor countries, yet little was said of the direct effects on investment in the developing countries of the current economic uncertainty.

9. He then referred briefly to some of the solutions which had been suggested for a realignment of the world's currencies. The economy of Barbados was linked to the United Kingdom market, to which it exported a substantial part of its traditional commodities; that trade formed the bulk of its exports. However, in order to achieve a diversified economic structure and an expansion of exports, Barbados had attempted to enter the United States market; that situation was currently causing problems for Barbados, in view of the need to realign the major world currencies. In the event that the United States and the United Kingdom decided to adjust the parity of their currencies in opposite directions, the developing countries would be faced with serious problems in connexion with the cost of living, export growth and the value of reserve assets. For that reason, his delegation urged that the principles agreed to at the international level should be applied, namely, the principle of differential treatment for the developing countries in matters of trade, and the principle of compensation in case of dislocations for which the developing countries were not responsible. He also urged that the rich countries should follow the example of the United Kingdom and Netherlands Governments, which had taken action to increase the resources allocated for aid to the developing countries.

10. With regard to the report of the Economic and Social Council, he commended the Council for the broad scope of its deliberations over the previous year. His delegation attached great importance to the need for action designed to increase the efficiency of the Organization in its operational activities. It would also like action to be taken to increase the resources of UNDP and to improve the efficiency of the regional services.

11. Mr. KANKA (Czechoslovakia) said that the monetary crisis shaking the capitalist world had serious consequences for economic development in general. Production growth was slowing down, the risk of social conflict was increasing and the development of the main countries of the capitalist

world was becoming more and more unbalanced. The weakening of the United States dollar as a reserve currency indicated the existence of a severe crisis in the whole capitalist financial system. Moreover, there was no doubt that the restrictive measures recently taken by the leading capitalist countries would substantially delay any effective participation by the developing countries in international trade and the international division of labour. Although the developing countries were in no way responsible for the current crisis, they would nevertheless suffer the consequences of the new restrictive measures—consequences which for them were much more serious than for the advanced capitalist countries.

12. The current situation arose from the fact that the monetary system of the capitalist world had been based on the monopolistic position of the United States dollar. In the view of his delegation, that system, which was not regulated by planned arrangements but was dependent upon the decisions of one or several States, has become an anachronism. As had been stated in resolution 84 (XI) adopted by the Trade and Development Board at its eleventh session—a resolution which his delegation had supported—the developing countries should participate fully in the consultations and negotiations on the reform of the international monetary system. It was to be hoped that, at its third session, UNCTAD would assess the state of international trade, set targets and adopt recommendations for the further development of international economic relations. Czechoslovakia anticipated that UNCTAD would be able to evaluate the significance of trade between countries with different social systems and would unequivocally condemn the actions of some great Powers which persisted in viewing trade as an instrument of global policy and continued to place obstacles in the way of trade with the socialist countries and world trade in general by imposing on exports and imports embargoes, blockades, restrictive measures and discriminatory customs tariffs, and by establishing lists of strategic goods which it was forbidden to sell to certain countries. Together with the majority of States, Czechoslovakia hoped that UNCTAD would come out in favour of abolishing the various unilateral restrictive measures and that it would secure a return to normal conditions, as envisaged in the principles of international trade relations and trade policy adopted by UNCTAD at its first session and in the rules of GATT, of which the Czechoslovak Socialist Republic was a founding member.

13. Czechoslovakia wished to continue to play its part in the growth of international trade and economic co-operation between all the countries of the world. Under its fifth five-year development plan, Czechoslovakia's foreign trade earnings were expected to increase by 36 per cent between 1971 and 1975. While most of those earnings would continue to be derived from trade with the other socialist countries, trade with the developing countries was expected to account for one third of the total.

14. At its twenty-fifth session, the Council for Mutual Economic Assistance had adopted a long-term programme of economic and social integration. That far-reaching programme was aimed at promoting international economic co-operation and the international division of labour. One of the essential characteristics of the economic integration

of the socialist countries was that it was based on the principles of socialist economics, namely the socialized ownership of all means of production and a social order of the same type. That integration was also based on the sovereignty of member States, which were absolutely free to select their trading partners and to solve their own national economic problems when considering participation in one of the forms of co-operation.

15. The introduction of the socialist system and the formation of a world socialist economy indicated a tendency towards further socialization of production and the uniting of national economies.

16. Another characteristic feature of socialist economic integration was its planned character; hence any measures for the strengthening of that integration necessarily took account of the long-term plans and projections of all member States. Yet the high concentration of production of various goods, while taking place within a national framework, took into consideration the needs of all the countries in the socialist system. That resulted in a better international socialist division of labour, the continuing expansion of trade between member States and the development of the world socialist market. However, he wished to emphasize that the programme of socialist economic integration also contained some aspects of a world-wide character. Firstly, the Council for Mutual Economic Assistance was not a closed body: since it did not erect customs barriers against the trade of States which were not members, it was open to all other States, whether socialist or not. Secondly, the States members of the Council took a common approach towards world economic machinery. That strategy involved, for instance, the participation of third countries, notably socialist and developing countries, in a collective currency zone. Such a currency might be used in transactions with third countries and, along with other currencies used in international payments, might play a role corresponding to the position of the States members of the Council for Mutual Economic Assistance in the world economy. The strategy of socialist economic integration also envisaged the possibility of establishing within the International Investment Bank a special fund which would provide credits to finance economic and technical assistance to the developing countries.

17. The main objective of Czechoslovakia's fifth five-year plan was the creation of conditions conducive to the sound development of the means of production and an increase in the material resources of society, which, in turn, in line with the development of the socialist way of life, would to an increasing extent meet the needs of the population and strengthen the material security of the working people. National income would increase by at least 28 per cent between 1971 and 1975, 95 per cent of that increase being achieved through increased productivity of labour and the establishment of new industries based on a high level of technical skill. The five-year plan reflected the desire of the Czechoslovak Socialist Republic to follow the progressive trends of world development. In that respect, the plan provided for an increase in exports of 43 per cent and an increase in imports of 36 per cent by 1975, which would result in a further expansion of the role of foreign trade in the creation of national income. The economic, scientific

and technical co-operation agreements concluded with other socialist countries provided the necessary basis for that section of the five-year plan. In addition, within the context of the Leninist policy of peaceful coexistence, Czechoslovakia would endeavour to develop its economic relations with the highly industrialized capitalist countries. Obviously, the development of trade with such countries must be based on the principles of equality and mutual benefit, and the discriminatory measures which had been taken by some capitalist countries against Czechoslovakia would have to be rescinded.

18. Czechoslovakia could take pride in its long tradition of economic relations with the developing countries. Those relations, which had originated in the support provided by the Czechoslovak Government to national liberation movements and subsequently to newly established Governments with a view to helping them to strengthen their political and economic independence, were now based on the principle of complementary and mutually beneficial economic interest and would in the future lead to participation by Czechoslovakia in the economic and industrial development of the developing countries. Czechoslovakia intended to provide a wider market for goods from the developing countries, not only raw materials and fuels, including crude oil, but also industrial products and semi-manufactured goods.

19. Czechoslovakia was pleased to note that the United Nations was paying increasing attention to the environment, which must be protected from the harmful effects of modern civilization. That was, of course, a task which was primarily the responsibility of the Governments concerned, but United Nations bodies nevertheless had an important part to play, particularly in evaluating the conclusions reached as a result of scientific research on that subject. The United Nations should also ensure that the problems of the environment were solved on a universal basis and that there was an end to the systematic and inhuman practices of certain countries which were causing the destruction of the environment of other countries. Since it had been instrumental in the convening at Prague, under the auspices of the Economic Commission for Europe, of a meeting on problems relating to the environment, Czechoslovakia was prepared to play a full part in the implementation of any decision that the United Nations might take on the matter.

20. The Czechoslovak delegation reserved the right to revert in due course to certain questions relating to the report of the Economic and Social Council.

21. Mr. OKELO (Uganda) said that the reports of the Secretary-General (A/8401) and the Economic and Social Council (A/8403) painted a dismal picture of the world economic situation, which called for the adoption of national and international measures. The imbalance of trade, which was reflected in balance-of-payments deficits, and the turmoil in the international monetary system caused by the decision of the President of the United States of America to end the convertibility of the dollar into gold, constituted the main problems of the world economy. Some major Powers had taken drastic and unilateral measures to combat those problems, frequently at the expense of the majority of the members of the international community, without taking account of the long-term

needs of other countries, especially the developing countries. He pointed out that the 10 per cent surcharge imposed by the President of the United States of America on imports was bound to have adverse effects on exports from the developing countries; it was regrettable that the economic assistance granted to the developing countries, which was already insufficient, should thus be reduced by 10 per cent. There was a danger that the whole system of international co-operation might collapse if the present tendency to adopt protectionist and unilateral measures was continued.

22. His delegation supported the recommendation contained in Economic and Social Council resolution 1621 A (LI) that the General Assembly should enlarge the membership of the Council from 27 to 54; such an increase would enable the Council to discharge its responsibilities more efficiently and on a broader basis.

23. The establishment of a Committee on Review and Appraisal (resolution 1621 C (LI)) was a commendable sequel to the adoption by the General Assembly of the International Development Strategy.

24. To sum up, his delegation was pleased with the manner in which the Economic and Social Council had faced the obligations incumbent on it under the Charter, but realized that the Council alone could not solve the problems created by some of the tasks which confronted it and that it required the co-operation of all countries.

25. Mr. WILLIAMS (International Monetary Fund), noting that the Managing Director of the Fund would address the Economic and Social Council on 27 October, said that he would merely give a brief outline of the results of the annual meeting of the Board of Governors.

26. As the Managing Director had said shortly before the opening of the meeting of the Board, that meeting had come at a rather opportune time, because it gave the Governors the possibility of expanding the scope of their discussions beyond their normal framework and of agreeing on a procedure for dealing with current problems promptly and efficiently. In fact, the Governors had adopted a resolution (26.9 of 1 October 1971), the terms of which reflected the constructive atmosphere which had prevailed during the discussions and the consensus which they had reached on some important issues. Under that resolution, the members of the Fund were called upon to collaborate with the Fund and with each other in establishing a satisfactory structure of exchange rates, to facilitate resumption of the operations of the Fund, to collaborate in efforts to reverse the tendency to maintain and expand restrictive practices, and to make satisfactory arrangements for the settlement of international transactions. In addition, the Executive Directors of the Fund were requested to report to the Board on the measures necessary for the improvement or reform of the international monetary system, to study the various aspects of that system, and to include in

their report the text of any amendments to the Articles of Agreement that might seem desirable in order to give effect to the Board's recommendations.

27. There had been general agreement among the Governors that all States members of the Fund should participate in the work and the decision-making involved in the reform of the international monetary system. In his opening statement, the Managing Director had already expressed his particular concern about the impact of the current situation on the developing countries. Inflation and balance-of-payments difficulties recently experienced by some industrial countries had led to higher costs, restricted availability of international credit, and sluggishness in the flow of capital and official aid at the very time when the developing countries were faced with an increasing burden of external debt. According to the Managing Director, the present uncertainty with regard to exchange rates added a further impediment to the development efforts of those countries, which also had to contend with the effects of the United States import surcharge and the reduction in United States aid. The Second Development Decade was thus beginning in conditions that were far from auspicious and at a time when the developing countries were striving to find new avenues of productive employment for their growing populations. Fortunately, however, the industrial countries now had an opportunity to achieve a more durable solution for their balance-of-payments difficulties through currency realignment and other measures, and it was to be hoped that, after taking the necessary steps, those countries would endeavour to ensure a steady improvement in the volume and quality of their development assistance, and at the same time to widen access to their markets. The Managing Director had also stated that a solution to the problems posed by the current situation urgently required collaboration at the international level. Any prolongation of the present deadlock might lead to serious disarray in international monetary and trade relations and to the abandonment, in the future, of the rules of law providing for orderly and just international economic relations. Although there might be reservations in some quarters about the precise content of the existing rules, there was universal recognition of the need for agreed rules in the conduct of international economic affairs. The Fund itself was an expression of that need. The longer necessary international action was delayed, the greater was the prospect of serious disorder and discrimination in currency and trade relations, with a consequent impact on the economic well-being of member countries. Piecemeal reform of the international monetary system could not be beneficial even for individual countries, much less for the whole community of countries which constituted the membership of the Fund. It was in the interest of all member States, and not least the developing countries, to re-establish the functioning of the international monetary system on the basis of individual rights and duties.

The meeting rose at 4.45 p.m.