



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

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

GENERAL STATEMENTS (concluded)

and

AGENDA ITEM 12

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

1. Mr. VINCI (Italy) said that the International Development Strategy for the Second United Nations Development Decade was based on the acknowledgement of three basic truths. First, the maintenance and preservation of international peace and security depended upon social and economic progress as shown by the fact that the most serious and deepest crises which had undermined international peace and security had occurred in regions of the world where social and economic problems were most acutely felt. Secondly, because of the progress of science and technology, no country, region or continent could now progress without close, increasingly broad co-operation with the other countries and areas. Thirdly, the approach previously used had to be reviewed and adapted to the more difficult problems of the present and international efforts and co-operation had to regain momentum. The United Nations had sought to meet that need by launching the Second Development Decade, an act of faith that had fittingly marked its twenty-fifth anniversary.

2. But, just when the Strategy had been launched, a monetary, commercial and financial crisis had struck and threatened to undermine the very foundations on which the Strategy was based. The Italian Government had emphasized all along the necessity of facing those problems in a general framework since, besides their economic aspects, they involved broader political considerations. The irreversible process towards a revision of the monetary system and the establishment of new international monetary relations would take some time, but the first steps towards a realignment of currencies and restoration of trade relations should be taken without delay. At the annual meeting of the Board of Governors of the International Monetary Fund, the Italian Minister of the Treasury had stated the main principles which should be introduced into a revised international monetary system. They were, first, the commitment to change parities as soon as it was recognized that they had become unrealistic; secondly, the

containment of short-term capital flows through a widening of the bands of fluctuation around parity as well as through administrative controls or other equivalent regulatory measures; thirdly, the gradual reduction of the role of the dollar as a reserve currency and its substitution by Special Drawing Rights, though the dollar would of course continue to be used as an intervention currency on the exchange markets; fourthly, the conversion into Special Drawing Rights of previously accumulated reserves at present parities and, finally, the definition of parities in terms of Special Drawing Rights. The developing countries should be associated in the decision-making process which was to be undertaken and foreign aid to those countries should be increased and channelled increasingly through multilateral institutions. However, recent events had highlighted the danger of protectionism and autarchic involutions as well as of retaliatory measures and it had been recognized that the remedy could only be found in multilateral negotiations. In that connexion, the Italian Minister for Foreign Affairs had expressed in the 1954th plenary meeting of the General Assembly the satisfaction of his Government with the statement which the Secretary of State of the United States of America had made on the subject to the General Assembly at its 1950th plenary meeting. His Government was confident that constructive steps would be taken to restore economic order and monetary stability, thus paving the way for a general move towards more liberal trade policies which Italy had long advocated particularly in the European Economic Community. He recalled that the European Economic Community had recently extended to all developing countries a system of preferential tariffs and that the public and private financial aid given by the Community was the highest in the world when compared to the gross national product.

3. As the Under-Secretary-General for Economic and Social Affairs had rightly stressed, it was the Organization's duty under the Charter to stimulate international co-operation to enable national economies to realize their potential and to ensure that measures affecting the international community were subject to collective decisions. There was no doubt that the repercussions of the present impasse might have been lessened if the Organization had been in the forefront. It had acknowledged its shortcomings, as was shown by the adoption of Economic and Social Council resolution 1621 (LI) which was aimed at strengthening the Council's role of director and coordinator of world economic and social policy. The Council should increase the participation of the developing countries in the efforts undertaken to solve world economic and social problems; as the more advanced countries were increasingly conscious of the necessity to co-operate constructively in that field, the Council should be strengthened now that the Second Development Decade was being

launched. Such strengthening would not affect in any way the functions carried out by other United Nations bodies.

4. He expressed the hope that, at a time when some of the most important events of post-war history were occurring, the Committee would act in accordance with the principles of its founding fathers and contribute to the achievement of the hopes of the world community for harmonious and generalized economic and social progress.

5. Mr. KHALIL (Egypt) said that his Government had pointed out for two years the need for studying the impact on the world economic and monetary situation of the policy of allowing major currencies to float. Unfortunately its warnings had gone unnoticed. The Trade and Development Board in its last report and the Economic and Social Council in its last report before the crisis had called attention to the urgent need for improvement in the international monetary system. Contrary to what some representatives thought, the United Nations should study the crisis, for it was harmful to all countries, and to the developing countries in particular. One of the reasons for the crisis was the fact that the needs and interests of the developing countries had been neglected. In the report on international development,¹ it was stated that the needs and interests of the developing countries should be given immediate attention before the world economy collapsed. Developing countries had always suffered the most when currencies were allowed to float, since the value and volume of their trade had always dropped and the burden of their debt-servicing increased. Now that the Second Development Decade was starting, any reform should take into particular account interests and needs of the developing countries. They had always struggled for stability, had always tried desperately to increase their reserves and had made sacrifices in order to support the dollar in the interest of monetary and economic stability. That had benefited the developed countries, particularly the United States, rather than the developing countries and yet it was the United States which had triggered the crisis by its unilateral decision. The crisis was a source of deep concern for the entire world except, perhaps, South Africa which, through its *apartheid* system, exploited cheap labour in its gold mines. By its intransigent attitude, best exemplified by the United States Secretary of the Treasury, and its insistence that other countries should yield to it, the United States was issuing an invitation to a trade and economic war. In Japan it was feared that the crisis might deal a mortal blow to the Japanese economy. In Western Europe there were threats that retaliatory measures might be taken and the Chairman of an East German bank had said that it was difficult to postulate any rules of the game of a system of floating rates. The United States should have been the one to take the necessary measures to safeguard the interests of the developing countries. In spite of the talk about that country's balance-of-payments deficit, the United States current account still had a large surplus. United States income from foreign investments had been growing rapidly; it had risen from \$5,400 million in 1965, to \$8,600 million in 1970, and in 1968 the net income from investments in the developing countries alone had been over \$4,200 million. Finally, during the first quarter of 1971 the current

account surplus of the United States had been running at an annual rate of \$4,200 million compared with \$3,600 million the year before. The measures taken by the United States could not be justified. If the United States and the other developed countries with a surplus in their over-all balance of payments had channelled their surpluses towards the developing countries, they would have been acting in their own interest and the crisis might have been avoided. Any monetary reform that did not take full account of the interests of the developing countries would be futile and temporary. The Egyptian delegation had been disappointed at not finding, in the latest annual report of the International Monetary Fund, any reference to the question of creating a link between the allocation of reserves and the provision of additional development assistance, a topic which had been discussed in Copenhagen the previous year. Such a link should be one of the bases of any new system.

6. Under the Charter, the Economic and Social Council should play an important role and the Egyptian delegation welcomed the proposals that had been made to enlarge its membership. An enlarged Council, far from weakening UNCTAD, would strengthen it. There was cause for satisfaction with the work of the Economic and Social Council, particularly that of its fifty-first session. The resolution adopted by the Council concerning the least developed among the developing countries would help consolidate those countries' unity. The resolution concerning the international monetary situation would, of course, have to be updated. With regard to the environment, Egypt, although interested in the question, felt that there were many other questions which had higher priority.

7. In conclusion, he described the efforts that his country was making in the field of economic development, despite Israeli aggression. Egypt was striving to industrialize its economy, to rationalize its agriculture, and to develop its science, technology, health and other social services. Those efforts would certainly have been more fruitful had there been peace in the area. He had been amazed to hear at an earlier meeting a representative preaching the virtues of peace in the Middle East who ought to have known that the occupation of Arab territories by his country was in itself a negation of peace.

8. Mr. LEGNANI (Uruguay) said that the International Development Strategy for the 1970s was an extremely valuable instrument in the fight against hunger, shortage of housing, ignorance, sickness and poverty.

9. In order to encourage such action, the Strategy, its objectives and the policies that had been designed to achieve them should be publicized as widely as possible. It would therefore be useful to recall the final section of the Strategy, concerning the mobilization of public opinion, in a special recommendation contained in a separate document. The mobilization not only of the *élite* but of the population as a whole would most likely bring about, in every country, a vigorous and world-wide movement of public opinion in favour of development policies whose ultimate objective was to benefit the greatest possible number of people throughout the world.

10. Such a general awareness of development policies and their objectives would promote international co-operation

¹ Commission on International Development, *Partners in Development* (New York, Praeger Publishers, Inc., 1969).

and the adaptation of the relevant measures to the problems of each country. It would encourage countries to provide aid and mutual co-operation in an effort to bring about the progress and well-being of all nations. The peoples themselves, once they had realized the advantages that they could reap from those measures, would then demand that they be applied and that other equally necessary steps be adopted.

11. Although the mobilization of public opinion was undoubtedly the responsibility of Governments, international organizations also had a role to play, particularly UNESCO, whose activities in the field of education and culture and in the information of the masses were directly connected with development.

12. The International Development Strategy contained two types of measures: those, such as investment, acceleration of industrial development, transfer of financial resources and application of science and technology to development, which led directly to the achievement of the desired objectives; and those such as regional integration, special measures in favour of land-locked countries and education, which provided a framework for negotiations and programmes aimed at improving material and social conditions.

13. With regard to the second type of measures, UNESCO had recently adopted an idea put forward by Uruguay for intermediate-level education in agriculture, which would require close co-operation between UNESCO and Member States so as to train agrarian reform personnel and more efficient farmers. The programme fell within the section of the Strategy devoted to the expansion and diversification of production.

14. The effective implementation of the two types of measures would guarantee a minimum standard of living consistent with human dignity, which was one of the fundamental objectives of the Charter and also recalled in the preamble of the Strategy.

15. Turning to some of the measures envisaged in the Strategy, he considered that, while they were all necessary, those concerning financial resources and the application of technology were particularly important.

16. The Uruguayan delegation considered that, if developing countries were to mobilize their financial resources, it was indispensable that they receive foreign investments, provided that they did not take the place of national enterprises or industries and did not, as had happened in the past and was still happening, create financial commitments that were greater than the inflow of resources they represented. Developing countries, moreover, could not hope to improve their public administration, agriculture, trade, public health and education, increase the number of employment opportunities, organize their industries on a productive basis or prevent a "brain drain" if they did not receive the necessary technical assistance from international organizations. His delegation therefore intended to support the Economic and Social Council resolution on the outflow of trained personnel from developing to developed countries which it had helped to draft.

17. The world community was constantly evolving under the influence of political, social and economic factors whose repercussions were international, and the International Development Strategy could be said to have provoked a desire for change and progress on a world-wide scale. His delegation therefore agreed with the Under-Secretary for Economic and Social Affairs that the current monetary upheaval was an epiphenomenon of the transformations which were occurring in social behaviour and that IMF, which had been founded more than 20 years before, had not yet adapted itself to the new realities and was now in a critical situation.

18. The international monetary system was mainly dependent upon the currencies of a small group of countries which held the lion's share of the world trade governed by the system. The predominance of those currencies derived from the fact that the countries involved used their own currencies throughout a vast network of banks, lines of credit, commercial transactions, payments, etc. In their trade relations, other countries also employed the currencies of the major trade Powers with which they conducted their business and which constituted monetary markets and sources of capital.

19. Fluctuations or changes in the factors affecting these currencies, such as inflation, disequilibrium in the balance of payments or the readjustment of the balance of payments had extremely serious repercussions on developing countries. Thus, a serious disequilibrium in a country's balance of payments and the consequent devaluation or revaluation of its currency to correct the situation could cause severe difficulties for developing countries within its sphere of trade. That was precisely what was currently happening with the balance of payments of the United States.

20. The operation of the international monetary system had shown that, despite their conflicting interests at the world level, the major industrial and commercial nations had, in times of crisis, acted in a spirit of solidarity and mutual assistance. The traditional method had been devaluation or revaluation. In recent years, the remedy had been international financial co-operation. When in difficulties, rich countries had been able to secure financial assistance from other rich countries, instead of devaluing their currency. The United States, the Federal Republic of Germany and Italy, for example, had made a loan of \$2,000 million to the United Kingdom when that country had found itself in serious straits.

21. As far as the rich countries were concerned, therefore, the system had operated in a fairly satisfactory manner. It had been perfected, from their point of view, with the introduction of the Special Drawing Rights.

22. Apart from the direct aid which the Special Drawing Rights provided each member country, that new form of liquidity could only hope to benefit developing countries indirectly in so far as it reduced the likelihood that the major trading countries, as a result of difficulties with their own balance of payments, would, as the United States was doing, resort to restrictions on trade and capital outflow.

23. Considerable changes had taken place in international economic relations since the Bretton Woods agreements,

including new forms of foreign trade, the creation of regional groups, an increase in the volume of transactions, the influence of inflation and the disequilibrium in balances of payments.

24. He stressed, moreover, that, in adopting the International Development Strategy, the United Nations had intended to provide greater and greater incentives to international trade.

25. However, by suspending the convertibility of the dollar into gold, the United States had deprived the system of one of its essential instruments. That being so, it was time to revise the international monetary system, not only by readjusting parities between the currencies of rich countries but also by normalizing the economic relations of all countries and resolving the monetary problems and difficulties that were an obstacle to development. It should be an opportunity to establish a link between the allocation of new reserve assets under the Special Drawing Rights scheme, and the provision of additional development finance for the benefit of all developing countries, as stipulated in the International Development Strategy.

26. If such measures were to be considered and adopted, the rich and the developing countries would together have to devise a new international monetary system which would take into account the interests of both and be conducive to a genuine world-wide development strategy. The rich countries must therefore co-ordinate their domestic and foreign policies so as to prevent any domestic measures, which they might be called upon to take in order to bolster up and stabilize their national economy, from accentuating the imbalances and difficulties of developing economies.

27. It was unreasonable, unjust and contrary to the most elementary principles of international co-operation that a country such as the United States should adopt protectionist measures like the 10 per cent surcharge on imports as if it were not called upon to play, in the process of world development, a role which the world had conferred on it precisely because of its great power.

28. In accordance with the purposes and principles of the Charter, the United Nations would certainly endeavour to promote international co-operation to solve the problems that had been mentioned and to implement every possible measure designed to give form to the International Development Strategy.

29. To that end, the Economic and Social Council must exercise the competence conferred on it under the Charter in the economic, social, cultural, educational and health fields and fulfil the role entrusted to it under the Strategy with regard to the review and appraisal of progress in development.

30. His delegation would support any measures designed to make the Council more representative and thus to enable it to carry out its tasks more efficiently. It felt that in a biennial appraisal of the Strategy, progress should be recorded and at the same time obstacles should be pointed out. It recognized the enormous difficulties involved in establishing in advance rational and equitable relationships between international co-operation and assistance, on the

one hand, and bilateral co-operation and assistance, on the other, so that the development needs of all countries and of each individual country would be taken into account in an equitable manner. For that purpose, it should have been made an objective principle that the benefits of international assistance and co-operation should be enjoyed by all geographical regions suffering from under-development.

31. It was difficult to prevent the transfer of the financial resources of rich countries to those that were not rich from following naturally the channels created by international relations of long standing and by historical, cultural and other relationships. His delegation did not claim that it should be otherwise, but the objectives of the International Development Strategy were general and world-wide, and some developing regions were in danger of being left on the fringes, despite the transfer of resources and all other measures of assistance and co-operation.

32. In order to avoid that risk, the chapter on the review and appraisal of objectives and measures should perhaps have included a statement to the effect that the Strategy constituted a world-wide development plan aimed at achieving simultaneous objectives in all the developing regions and based on the principle that human progress was indivisible and that every country in need of help had a right to international assistance and co-operation.

33. In the biennial appraisals which it was to carry out periodically, the Economic and Social Council might be expected to identify clearly the areas which benefited best from the implementation of the measures provided for in the Strategy. That would make it possible to correct the manner in which those measures were being implemented or to consider the adoption of new measures in those areas which were temporarily excluded from the benefits of development planning.

34. Mr. SHAHI (Pakistan) praised the Under-Secretary-General for Economic and Social Affairs for the depth and scope of his understanding of the problems confronting the world. He agreed with the Under-Secretary-General that the major problem was the erosion of the monetary system caused by the demonetization of gold and the unilateral measures adopted by the United States on 15 August 1971, the effects of which were already being felt. The spectre of protectionism threatened the world, and as everyone knew only too well, if it materialized, it might bring about a slow-down in international trade followed by a world-wide recession. The results of 25 years of effort might thus be reduced to naught.

35. Although it was, of course, easy to denounce the Government whose actions had set off the present crisis, it would be more sensible and helpful to look into the underlying causes of that crisis. Some experts had sounded the alarm a few years earlier, warning Governments that the unprecedented economic growth enjoyed by the world since 1945 must inevitably slow down some day. In the euphoria of that growth, a great developed country had let its competitive position become eroded, and when it realized what was happening, it had been unable to think of any solution other than to surround itself with a wall of protectionist measures. But, whether one liked it or not, the future of the developing countries was closely linked to

the behaviour of the economies of the major industrialized countries. It was therefore urgent to put an end to the present chaos, to realign parities while increasing the margins for currency fluctuations, and to lower customs and other barriers. As the Board of Governors of IMF had stated in its resolution 26.9 of 1 October, in order to solve the crisis a satisfactory structure of exchange rates must be established and restrictive commercial and monetary practices must be reduced.

36. As for the world economic situation, a general slow-down could now be noted. While the value of world exports in 1970 still showed a gain, that gain was confined to trade between developed countries. The situation of the developing countries was quite different, and in addition to the difficulties of that situation, they were suffering from an increase in the costs of imports, the gradual drying up of the flow of foreign capital and the increasingly heavy burden of debt servicing. Although the flow of foreign capital and debt servicing were two very different problems, their effects were inter-related. Countries with capital were all too likely to reduce their financial assistance as the burden of a country's debt servicing increased, and the debtor country thus found itself caught in a vicious circle from which it had little hope of escaping.

37. The terms of loans must therefore be revised, and he noted with satisfaction that many lending countries had already agreed to review their loan systems; however, the terms usually fixed had, in most cases, prompted recipient countries to invest the funds made available to them in projects that would yield the quickest profits, neglecting long-term development needs and thereby inevitably aggravating social tensions. As had been stated in the International Development Strategy and in General Assembly resolution 2681 (XXV), and as recently reaffirmed, the President of IBRD had, in order to reduce the possibility of tension, said it was essential to give high priority to development of human potentials.

38. He supported the measures designed to give priority assistance to the least advanced developing countries, but he agreed with the Brazilian representative (1378th meeting) that developing countries should close ranks and he hoped that, at the coming conference at Lima, the Group of 77 would adopt a unified position on development problems.

39. The purpose of the review and appraisal of the objectives and policies of the International Development Strategy was to identify obstacles and to find solutions; only through a dialogue between the developed and the developing countries could satisfactory solutions be arrived at. His delegation supported the proposal to enlarge the membership of the Economic and Social Council in anticipation of such review and appraisal, provided that the Council was also given broader functions in the field of science and technology. The question of establishing a standing committee of the Council to work out general policy and submit recommendations on matters relating to the application of science and technology to development must, however, await the conclusions of the Lima Conference; that was why his delegation had abstained in the vote on Council resolution 1621 (LI). He had noted that the United States delegation intended to submit a draft

resolution concerning the enlargement of the membership of the Council and an amendment to the Charter for that purpose; and he hoped that the draft resolution would receive the support of a large majority.

40. Mr. VIAUD (France), analysing the economic developments of recent years, observed that international economic relations had been characterized by three phenomena: persistent inflation, monetary disorder and the levelling-off or reduction of development aid. The basic causes of the present economic situation were the indifference of States which refused to adjust to the constraints required by the international monetary system and the collective indifference of prosperous countries which were promoting their own growth rather than the growth of third world countries. It was a fact that the economic and social progress of the developing countries depended largely on maintaining growth and stability in the developed economies.

41. He noted with regret that the level of assistance to developing countries had reached the stagnation point and that an excessive share of total assistance consisted of guaranteed private loans. Those loans did not aim to meet the needs of the developing countries, and sometimes they did not have that effect, and their terms could not compete with those of government aid. For that reason, France had continued to allocate to government aid a substantial share of the total funds transferred to the developing countries; in 1970 government aid had reached the high figure of 0.65 per cent of the gross national product, and 80 per cent of that figure was in the form of grants. In that connexion he said that France had been one of the countries promoting the adoption by the international community of a special target for government aid; similarly, his delegation attached great importance to the equitable distribution of aid and hoped that the studies of the least advanced of the developing countries might soon lead to the adoption of specific measures. In general, the developed countries should endeavour not to make programmes of aid to less advanced countries bear the brunt of the corrective measures they sometimes had to take.

42. Reverting to the theme of persistent inflation, monetary disorder and insufficient aid, he said that those phenomena reflected the same tendency and interacted on one another. Persistent, widespread and poorly controlled inflation had progressively undermined the system established by the Bretton Woods agreements; on the other hand, increasing liberties taken with regard to the system had helped to compound the evil.

43. To the extent that the unprecedented expansion of international trade had sustained economic growth during the past 20 years, it was likely that the compartmentalization of trade which would necessarily result from the prolonged uncertainty regarding exchange rates and the contagion of protectionist measures would lead all countries into a period of stagnation or recession and that countries which were hit by tariff or non-tariff restrictions and were forced to revalue their currencies would face increased unemployment.

44. The developing countries appeared to be in an even more precarious position than the others because monetary

uncertainties had a particular impact on commodity transactions and because a lasting disruption of the international monetary machinery probably resulted in a reduction in aid to the developing countries.

45. His delegation was aware of the vulnerability of the developing countries and hoped that a rapid solution would be found to the current crisis. In that connexion, it was pleased that the United States had announced its intention to improve its economy and to rectify its external imbalance. Such improvement must result from internal measures to combat rising prices and the outflow of floating assets, rather than from monetary and trade measures which existing international agreements could tolerate only if they were temporary.

46. It was in the light of those considerations that his delegation welcomed the opening of negotiations involving all those concerned, in particular, the developing countries, in the search for the most appropriate solutions. In conclusion, he drew attention to the special responsibilities of the United Nations in view of the interdependence of the phenomena which currently affected the development of the world economy. The United Nations alone had sufficiently broad powers to draw a conclusion from the mass of heterogeneous data available or to offer a diagnosis on the basis of such data. France was convinced that the United Nations, and in particular the Economic and Social Council, had a unique role to play on the international economic scene. In that connexion, he said that although his delegation still had some reservations regarding the advisability of enlarging the membership of the Economic and Social Council, it felt that the Council should be given greater responsibilities in connexion with the appraisal of the progress attained during the Decade and the review of the objectives of the Strategy.

47. Mr. BRADLEY (Argentina) said that the principles of non-discrimination, reciprocity and co-operation which had been proclaimed and implemented during the post-war period no longer reflected reality, for many countries had been obliged to adopt domestic policy measures in order to prevent their economies from deteriorating further. The protectionist measures adopted by the developed countries caused world trade to slacken and, in the present situation, such a slow-down was prejudicial to the developing countries, which saw their export earnings which were so essential to the growth and expansion of their economies reduced. His delegation acknowledged and supported the right of each country to safeguard its own national interest provided, however, that the decisions taken did not run counter to commitments entered into with the international community or endanger the vital interests of other countries. There was certainty, moreover, that if the developing countries grew poorer their consumption capacity would diminish, and the industrialized countries would see their markets shrink. It was equally certain that the economic gap between the two groups of countries would inevitably widen if the developed countries continued to reduce their technical and financial aid to the developing countries.

48. The situation was aggravated by the current world monetary crisis which, as the Under-Secretary-General for Economic and Social Affairs had pointed out, might be

attributed to a failure to adapt the principles established at Bretton Woods to the new socio-economic realities. In any event, it was particularly important that the Committee should follow the course of the monetary crisis closely, for it threatened to jeopardize the attainment of the objectives set forth in the International Development Strategy for the Second United Nations Development Decade.

49. His delegation considered it essential that the developing countries should take part in the decision-making process and in the reform of the international monetary system.

50. During the eighteenth and nineteenth centuries, the emphasis in matters relating to the development of international trade had been on the principle of absolute and comparative advantages; in the twentieth century, however, international economic relations should be governed by the principle of equitable advantages, as indicated in the International Development Strategy. It was in that context that his delegation called for the prompt implementation of the agreements on generalized, non-discriminatory, non-reciprocal preferences reached in UNCTAD and referred to in the Strategy.

51. Although his delegation endorsed the Strategy, it believed that it would prove meaningless unless all countries, developed and developing alike, demonstrated the political will to abide by its directives.

52. All bodies having special competence in economic and financial matters should take part in the appraisal of the results achieved in the implementation of the Strategy, the central role being entrusted to the Economic and Social Council, which was the major United Nations body responsible for co-ordinating and evaluating plans relating to its sphere of activity.

53. Turning next to the activities of various United Nations bodies during the preceding year, he said he thought it would be desirable to enlarge the membership of the Governing Council of UNDP and the Economic and Social Council, so that the two bodies would be more representative. His country recognized that the development of science and technology was of considerable importance and supported with particular interest the establishment of a committee of the Economic and Social Council on Science and Technology, as well as an increase in the membership of the Advisory Committee on the Application of Science and Technology to Development; it was fully prepared to co-operate with those bodies.

54. In conclusion, he said that the United Nations was entering a new era and that a major new task awaited its economic, financial, scientific and technical bodies.

55. Mr. RAMIREZ-OCAMPO (Colombia) said that the First Development Decade had been a failure and that the Second Decade, which had apparently begun more auspiciously, had been jeopardized at the outset by the fact that the rules adopted collectively in 1944 had been rejected unilaterally; as a result, it would now be more difficult to attain the objectives of the International Development Strategy set forth in paragraphs (19), (26), (27), (28), (31), (32), (33) and (34).

56. As the Minister for Foreign Affairs of Colombia had stated at the 1952nd plenary meeting of the General Assembly, it was necessary to re-establish consultative machinery in the international economic field and to put an end to the practice which allowed a double standard in monetary regulations: one which permitted the rich countries to do whatever they wished and another which obliged the poor countries to submit to the strict discipline of deprivation and poverty. It was necessary to return to the principle that no single country, by a unilateral decision, could alter the international trade situation. The measures taken by the United States Government were intended to protect that country against competition from Europe and Japan: as always, however, it was the developing countries that would be most severely affected. Those measures were particularly unjust towards Latin America, which currently had a deficit of more than \$2,340 million in its trade with the United States. There was no more serious threat to the world economy than that of customs reprisals, particularly, as the President of IBRD had stated, since customs duties were on the average higher for manufactures imported from poor countries than for those imported from wealthy countries. Although some of the Bretton Woods principles were still in force, the institutional machinery or rules of operation provided for in the agreement establishing the International Monetary Fund were not. The authority once recognized as the guardian of world monetary order no longer had sufficient powers to preserve it, and the country on whose stability the system had depended bore the primary responsibility for the crisis. If a law was to be applied effectively, adequate enforcement power was essential; failing that, it could only have moral force.

57. For that reason, although it might appear to be something of a chimera, the United Nations should consider the establishment of an international economic tribunal, and as the representative of Brazil had suggested at the 1378th meeting, an expanded Economic and Social Council should be the counterpart of the Security Council in economic matters. The developing countries could do nothing to restore legality in monetary matters; they must restrict their efforts to the search for a new juridico-economic order in which might was not right. Moreover, it should be recalled that, although most member countries of IMF were developing countries, those who had drafted the agreement establishing the Fund had not even used the word "development" in article 1, which set forth the objectives of that body. It was time that a new international order emerged from the crisis, an order which was expressly directed towards promoting development and the establishment, through a new agreement, of the machinery and criteria required to attain it.

58. Moreover, a new international monetary system for development would have to take into account the present economic reality of increased trade between the market-economy countries and the planned-economy countries of Europe and Asia. Machinery to regulate the present relations between those two categories of countries would therefore have to be studied. The principles of universality, consultation, multilateral relations and independence, which would have to be the basis for the new international monetary system, would be better served if closer relations with the socialist countries could be established so as to offset the excessive power which certain countries now had.

Use of the gold standard enabled the most industrialized countries to increase their deficit without cost, and without having to submit to more or less obligatory adjustment mechanisms. That meant that the developing countries were obliged, for their part, to conform to rigid and orthodox procedures that did not always suit their particular needs. Moreover, when prices of raw materials were stationary, or suffered because of inflation, the terms of trade inevitably grew worse. For all those reasons, the developing countries should participate in a study of a new international monetary system, rules should be adopted which would apply without exception to the whole international community and which would no longer be subject to the vagaries of a national currency, and better use should be made of a monetary reserve better adapted to the requirements of development and stability.

59. As the Colombian Minister of Finance had stated to the International Monetary Fund, the Latin American countries took the view that the 10 per cent surcharge should be abolished immediately with respect to the developing countries, and that the preferential treatment which had been granted to those countries in principle should be applied to their exports. It was a good sign that the directors of the IMF had been asked to propose changes in the Bretton Woods agreements. Such proposals should be submitted to member countries so that they could take the necessary decisions at the political level. His delegation regretted that the United States representative, in addressing the Committee, had sidestepped the question of elimination of his country's 10 per cent surcharge on imports from the developing countries, and had failed to analyse the serious effects on the world economy of the economic measures recently adopted by the United States.

60. Commenting on the effects of international tensions on the Economic and Social Council, he emphasized the need to restore the Council's prestige so that it could emerge from the current crisis with renewed strength. The Council should work for the establishment of the new international order proposed in the International Development Strategy without encroaching upon the sphere of competence or the functions of other specialized organs. His delegation was in favour of enlarging the membership of the Council so that it could adapt its regional and political representation to current international realities.

61. The General Assembly had an important role to play in the evaluation of the objectives and policies of the International Development Strategy. The evaluation of economic and social progress should be studied from four points of view—i.e., at the national, regional, global sectoral and general levels—with UNCTAD bearing a large part of the responsibility at the global sectoral and general levels.

62. It was man's duty to defend and preserve the earth's environment and natural resources, but that should be done without violating the principle of national sovereignty, which was closely linked to the principle of international co-operation. It should also be borne in mind, in that connexion, that the developing countries would have difficulty in building up their industry without causing a certain amount of air pollution.

63. The arms race of recent years was responsible for decreased growth rates and the undermining of a basic

currency of the world monetary system. No country, however powerful, could achieve a sound balance of payments as long as it continued to invest such a large portion of the world's gross national product in armaments. That was why Colombia had proposed to the countries of the hemisphere that they should limit their military expenditures to what was absolutely necessary for maintaining internal order.

64. The economic structure on which the international community was built was a vulnerable one. There was need for a permanent mechanism for international, economic and social security under the aegis of the General Assembly, which would facilitate implementation of the International Development Strategy.

65. Mr. NEPALI (Nepal) said that adoption of the International Development Strategy at the preceding session had raised hopes of a new departure in endeavours to narrow the economic disparities between nations. However, world economic growth in both agriculture and industry was slowing down, partly as a result of monetary instability due to inflationary pressures in the industrialized countries.

66. The situation had been further worsened by the economic measures adopted by the United States. The developing countries certainly did not need a surcharge on their exports or a cut in economic assistance at a time when they were suffering from unemployment, deficits in their balance of payments, a population explosion and low capital investment by the developed countries.

67. The painful truth was that the recent events in the developed countries had caused a setback to the world economy and imposed new burdens on the developing countries. While the situation would no doubt affect the growth process of certain developed countries, the developing countries would be more seriously affected because they could not cope with the new constraints, even at the cost of great sacrifices.

68. Current trends therefore showed very clearly that the developing countries would be unable to achieve the growth rate envisaged for the Second Development Decade. It was to be feared that there would be a significant drop in *per capita* income as a result of population growth. World conditions were thus unfavourable to the aspirations of the developing countries and did not conform to the spirit of the United Nations, which was committed to promoting peace and prosperity in the world.

69. What was needed was improvement in the quality and quantity of economic assistance to the developing countries and stabilization of economic conditions. In addition, in order to sustain the vigour of international trade during the 1970s, a liberal trade policy needed to be adopted by all the developed countries so that the developing countries could increase their exports to the rest of the world. In that connexion, implementation of a generalized scheme of preferences by a number of developed countries should be an example to those which had not yet followed suit. Increases in the volume of trade and aid to the developing countries would undeniably help to improve conditions in the developed countries as well. In the interests of everyone, the huge expenditures on armaments should be

diverted to productive purposes and trade barriers should be removed. By cutting back their arms expenditures and removing trade barriers, which had a substantial impact on the world economy, those countries would fulfil the solemn pledges they had made under the Charter.

70. In order to face current social and economic problems, the super-Powers should substantially reduce their enormous expenditures on armaments. By doing so, they would enable the United Nations to solve its problems, at least in part, and would thus contribute to strengthening peace and prosperity in the world.

71. The problems of the land-locked countries also called for the co-operation of the developing and the developed countries. Those countries were sometimes victimized by the policies of coastal countries which were not yet parties to the Convention on Transit Trade of Land-Locked States, 1965.²

72. Turning to the report of the Economic and Social Council, he expressed satisfaction with the new way in which the Council had defined its work. Among the important changes brought about by that development were the establishment of a Committee to review and appraise the progress achieved in the implementation of the International Development Strategy and the recommendation to amend the Charter so as to facilitate enlarging the Council, the sessional committees and the Committee on Natural Resources. His delegation felt that the General Assembly and the organ responsible for evaluating implementation of the Strategy should be careful not to overlook the problems of the least developed countries and, in particular, the land-locked countries.

73. Nepal, for its part, was making a continuous effort to raise the standard of living of its people. In keeping with the International Development Strategy, it had proclaimed a National Development Decade and was endeavouring to intensify development programmes at the village level in order to make its villages economically viable. The current five-year plan was aimed at achieving a rapid growth rate along with improvements in agriculture and industry. Efforts had also been made in the development of human resources in order to ensure a balance between economic and social development in the country. That balance had also been improved through education and land reform programmes.

74. Mr. DE SEYNES (Under-Secretary-General for Economic and Social Affairs) said that he wished to comment on certain specific points raised in the general discussion. He had listened with the greatest interest to the many speakers and had been glad to note that the discussion had been much more specific than usual—a small mercy, it was true, at such a difficult time. It went without saying that everything said by the speakers would be very carefully studied by the Secretariat.

75. He thanked in particular the representative of the Sudan for mentioning in his speech the team-work done by the Department of Economic and Social Affairs in preparing the report on the world economic situation for

² United Nations, *Treaty Series*, vol. 597 (1967), No. 8641.

1969-1970. In drafting that report, which covered a period leading up to the Strategy, his Department, bearing in mind the need to help government authorities to evaluate their achievements in relation to the Strategy, had endeavoured to cover the widest possible field of social and economic phenomena and to present them in a logical way, subject, of course, to the inadequacy of the information at its disposal. With the help of the Research Institute for Social Development in Geneva it had tried, on the one hand, to draw up a concise report which would make it possible to see at a glance the progress—or lack of progress—that would be recorded during the Second Development Decade, and, on the other, to highlight the main indicators and their effect on one another. While he recognized that the report on the world economic situation was incomplete he nevertheless hoped that it would prove useful.

76. In reply to the criticisms made by the representative of the Byelorussian Soviet Socialist Republic (1373rd meeting) regarding the survey of systems of taxation in the developing countries he wished to say that his Department would bear those criticisms in mind in its future work.

77. In reply to the comments made by the Brazilian representative (1378th meeting) on the need for reforming the Department, he pointed out that reforms had already begun and that the report of the Administrative Management Service on the survey of utilization of the personnel of the Department of Economic and Social Affairs would be submitted in the near future to the Fifth Committee and to the Advisory Committee on Administrative and Budgetary Questions.

78. While the present situation gave rise to some pessimism, a number of encouraging signs could nevertheless be observed in the Economic and Social Council, the Trade and Development Board and the General Assembly. Unanimity had now been reached as to the priority to be given to the least-advanced developing countries in the economic and social assistance programmes of the United Nations and the donor countries. He believed in the usefulness of the International Development Strategy. The conclusion now being reached formed a logical part of the Strategy, which, it should not be forgotten, was a series of measures. The realization of that fact encouraged the Organization to continue its aid.

79. The Committee would have to consider what conclusion to give its debate. What had struck him was that the word "vigilance" had cropped up again and again in that debate, and he felt that vigilance was what should characterize the Organization in the future. Many speakers had also spoken of "unilateral action", but it would be well to bear in mind the multilateral inaction with regard to monetary reform, despite the many warnings given in recent years, and also in the matter of liberalization after the Kennedy Round of trade negotiations. That was a fact to bear in mind when the time came for a precise definition of the steps to be taken to solve the present crisis.

80. To a certain extent there was a gap in the International Development Strategy; it established a series of actions aimed at bringing about closer co-operation between developing countries and developed countries, but those actions presupposed the normal functioning of the

international exchange and payments system. It did not, however, prescribe the requirements for the normal functioning of that system. Recent events had shown the need for filling that gap in the Strategy without delay, for if the imbalance in the international exchange and payments system continued, with all the threats of breakdown it implied, the Strategy would have little chance of succeeding.

81. It was inevitable that the General Assembly should react to recent events but, as the Mexican representative had pointed out (1379th meeting), it would not be easy for it to react in a purposeful way, since it did not have a thorough over-all analysis and had not had the time to organize its debate. The Mexican representative had expressed the wish that, with a view to the forthcoming session of UNCTAD, the Secretariat should prepare supplementary studies of the monetary measures to be taken. He himself wondered if the scope of those studies, as understood by that representative, exceeded that of the resolution of the Trade and Development Board. In his personal view the most important thing was that the United Nations should study the essential requirements of an expanding economy and the need for creating a more or less stable situation, which would naturally imply a reform of the Bretton Woods system. Closely linked with that reform were the national measures to be taken by the main developed countries, some of which had failed to overcome in time the problems of inflation and unemployment. While opinions might vary as to the manner of solving those problems it was nevertheless true that international monetary reform would only be temporarily effective if the necessary measures were not taken at the national level, even if the new exchange rates faithfully reflected the situation in the different countries. If it was proposed that a survey should be made, it should be of the national measures and international measures to be taken to ensure a stable and expanding world economy. Such a survey would involve the question of controlling short-term capital movements, in other words, the movement of the Eurodollars. That was, of course, an extremely delicate subject, but, in the long run, it was hard to see how the advantages of those movements of capital could be maintained without serious risks, unless a multilateral control be established. The solution, therefore, was to establish a system capable of ensuring closer co-ordination of monetary policies and more direct intervention by the International Monetary Fund on the short-term capital markets. The planning of such a system would certainly be difficult and lengthy, but that was not a valid reason for postponing all action.

82. There would also have to be a minimum of multilateral control of international companies. In that connexion, he referred to the Havana Charter of 1948,³ especially Chapter V, the provisions of which had never been applied. It was true that the existence of those companies offered considerable advantages, but they were also potentially sources of friction and perhaps conflict. The establishment of a minimum of control would naturally entail lengthy negotiations, but, there again, he saw no reason for postponing the examination of the question.

³ *United Nations Conference on Trade and Employment, Final Act and Related Documents* (United Nations publication, Sales No.: 1948.II.D.4).

83. It was obvious that other questions, too, affected the situation of the world economy, and the representative of Nepal had very rightly drawn attention to the burden of armaments. That question was now being studied, and the report on the economic and social consequences of the arms race and of military expenditures, which the General Assembly had requested in 1970, was now being drafted. It would, however, be necessary, over and above generalities, for the major countries to indicate their intentions in regard to the correlation they proposed to establish between disarmament and economic aid to developing countries. He pointed out that in the recent past, the world had already experienced periods of disarmament, but that no specific correlation had been established at that time between the savings derived from disarmament and economic development.

84. The Yugoslav representative had mentioned (1375th meeting) the idea of the unity of the world market, which implied growing participation of the European and Asian socialist States in that market. In that connexion he noted highly promising signs in the recent reform of the Council

for Mutual Economic Assistance, which had been mentioned on several occasions during the debate. The time had now come to study the progress made towards that unity of the world market, and one could be encouraged by the likelihood of a security conference being convened in the near future which, according to the information available, would also discuss economic co-operation. He recalled in that connexion that the word "security" had been used by the Brazilian representative, and he felt that the concept of economic security should be given a permanent place in the discussions of the United Nations, since it was suited to situations of extreme poverty. That was unquestionably a concept which could give new life and a new meaning and depth to the International Development Strategy.

85. The CHAIRMAN said he was glad to note that the general debate had, from the start, been constructive and had hardly ever strayed from economic and financial questions. He declared closed the general debate on the report of the Economic and Social Council.

The meeting rose at 6.45 p.m.