

1865th meeting

Monday, 9 July 1973, at 3.20 p.m.

President: Mr. S. A. FRAZÃO (Brazil)

E/SR.1865

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued) (E/5310, E/5311, E/5312, E/5313, E/5314, E/5315)

1. Mr. NAIK (Pakistan) said that the Economic and Social Council would have to bend all its energies to achieving a positive consensus about the status of development co-operation and the course of action open to it. The greatest crisis facing the world was a crisis of vision, as a result of which the effects had been mistaken for the cause and the symptoms had been attacked rather than the disease. Peace was seen merely as the absence of war, and security as arising from the predominance of armaments. In the concept of collective economic security, however, peace was described in terms of global progress, and security was dependent not so much on the balance of power as on a moderate political climate where compromise was the rule of conduct. In the past 25 years, considerable progress had been made towards the acceptance of that concept of peace, and international co-operation had expanded into hitherto unexplored areas. As the Secretary-General had stated at the fifty-third session (1819th meeting) a successful initiative in the economic and social domain would strengthen the international community's ability to act in other areas as well.

2. The structure of peace, however, could not be sectoral or regional. The objective of the new concept of collective economic security would be to achieve an equitable and balanced pattern of development with universal welfare as its measure of success. That did not imply a levelling down of standards but the elevation of the poorer nations to a level of parity and equality with the affluent States, through their own efforts and with the support of the richer nations. That objective was not unrealistic if the ultimate implications of the interdependence of the world, its problems and its hopes were understood. Indeed, a tentative commitment to it had already been made with the adoption of the International Development Strategy for the Second United Nations Development Decade, which would no doubt lead to strategies for subsequent decades as well. Thus the international development planning and harmonization of national policies which the Strategy required would become a rule of conduct and a habit of international economic life.

3. The Committee on Review and Appraisal had submitted to the Council its report (E/5316) and a Working Paper (*ibid.*, para. 25) giving a general evaluation of the efforts of the developed countries and putting forward a series of recommendations for further action by those countries. In its assessment, the Committee stated that the

experience of the past two years remained a cause for great concern and that, judged in terms of international actions since 1970, the cause of development had lost momentum. The developing countries had failed to reach the fundamental objectives of the Strategy and some of them had not registered any gain at all in *per capita* income, thus exacerbating the already severe problems of mass poverty and unemployment. It was recognized that the brunt of development efforts must be borne by the developing countries themselves and that not everything possible or desirable might have been done, but the main shortfall in the last two years had been on the part of the developed countries. The most prominent failure had been to achieve the target relating to financial transfers, especially the lack of momentum towards the target for official development assistance. There was also no concerted policy on debt relief, there had been inadequate action to help the developing countries gain access to export markets and there was growing concern lest the interests of the poorer countries might be neglected in the forthcoming trade and monetary negotiations.

4. The evaluation in the Working Paper was based on reasonably firm facts and the recommendations put forward were reasonable and represented the minimum necessary. There were, of course, a number of points which had remained unsettled, but he hoped that early agreement could be reached by the Council on the basis of the Working Paper, resulting in a political declaration which could move the objectives of development to the forefront of global priorities. The negotiations to be conducted on the basis of the Working Paper should be initiated without delay; if they were approached in a spirit of partnership rather than partisan interest, it should not be too difficult to arrive at a consensus.

5. The first appraisal also indicated the areas in which the Strategy required strengthening. The most important ones were the trade and monetary fields, which, it was now agreed, must be approached in a comprehensive and co-ordinated manner. Although the re-examination of the contribution which trade expansion and monetary reform could make to the development effort had been made necessary by the difficulties experienced by developed countries, it was clear that the new framework of international economic relations which would emerge from that re-examination was also of vital concern to the developing countries. His delegation welcomed the pledge of assistance made by the Netherlands representative (1861st meeting) and fully endorsed his suggestion that a new scheme of priorities should be worked out by the *ad hoc* Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues (Committee of Twenty) in which the

emphasis would be placed on the needs of the developing countries.

6. In the sphere of trade, the single most important development of the past two years was the multilateral trade negotiations about to be held in GATT. The developing countries felt that the fundamental objectives of those negotiations should include the attainment of additional benefits for their international trade, so as to increase their foreign exchange earnings, diversify their exports and accelerate the rate of growth of their external trade. Those considerations should become a part of the policy measures of the Strategy and should be applied also in other efforts to intensify world trade exchanges. Similarly, the developing countries felt that any new international monetary system should include the objectives of development as an integral part. In particular, they attached over-riding importance to the creation of a link between new international liquidity and additional development financing. Such a link would activate the latent demand for consumption and trade in the developing countries and thus provide stability and durability in the new monetary system. His delegation also appreciated the positive stand of the Netherlands Government on that issue.

7. The Strategy was also deficient in certain other sectors, one of which was the field of natural resources. In that sphere, attention had so far been focused on issues of principle rather than their practical implementation. There must therefore be an attempt to examine how practical arrangements could be improved in order to make the maximum impact on the development efforts of the developing countries. Considerations such as the consumption requirements of the developed countries, the stage of development of technologies relating to the exploration, exploitation and use of natural resources and their effect on the environment would all have to be taken into account in the formulation of policies for natural resources. The Council should initiate such an examination in a comprehensive and interdisciplinary manner, so as to set out both the principles and the policy measures in that sphere at the time of the mid-term review and appraisal of the Strategy.

8. Another area in which both policies and practical arrangements needed to be substantially was that of science and technology. Despite the impact of scientific and technological progress, the power and benefits resulting from that progress had been the privilege of the industrialized nations. Of the \$60,000 million spent annually on world research and development, only 2 per cent was spent in the developing countries, and even that was not wholly directed to finding solutions for their problems. Furthermore, the developing countries paid \$1,500 million annually to the developed countries for the transfer of technology. In the developed countries, on the other hand, the technologies of conspicuous consumption were now posing a threat to their own long-term welfare and the ecological balance. The solution to the problems of science and technology must therefore be global, and rational adjustments that were equitable and advantageous to all were required in the scientific and technological policies of Member States. The comprehensive framework for action in all the areas involved which Pakistan, together with Brazil and Mexico (see E/5272, para. 112), had proposed in the

Committee on Science and Technology for Development had not been considered for lack of time, but it was to be hoped that the Council would be able to discuss it during the present session.

9. The interest being shown in the phenomenon of multinational corporations was related to the whole question of private foreign investment; it also impinged on the fields of natural resources, trade, monetary stability, the transfer of science and technology, employment and ultimately even the relations between sovereign States. The issues arising from the activities of those corporations were only beginning to be clarified. Some of them had recently been examined by UNCTAD, and a study group of eminent persons was to meet later in the year to conduct a comprehensive inquiry into the question (see Council resolution 1721 (LIII)). His delegation considered that, while the adverse implications of their activities must be eliminated, those corporations could also be a spur to the development efforts of the poorer countries. Pakistan, for its part, welcomed foreign investment and was willing to provide highly attractive conditions, but the main consideration was that such investment should be made in the framework of Pakistan's national development objectives and priorities. It was to be hoped that the Council would be able, in the light of the report of the group, to formulate policy measures and principles to guide the activities of multinational corporations.

10. Principles and activities in the sphere of the human environment should be dovetailed with development policies and activities. The policy implications of the relationship between environment and development, as defined in the Stockholm Declaration,¹ should be included in the Strategy. He hoped that the Council could initiate an in-depth examination of that question.

11. The internal policy requirements of the developing countries, particularly in order to meet the challenge of mass poverty and unemployment, should also be the subject of an in-depth inquiry before the mid-term review. His delegation, for its part, had no inhibitions about the examination of concepts such as the poverty line and consumption targets proposed by CDP.

12. All those areas cut across sectors and disciplines, and thus across the jurisdictions of the various United Nations bodies. Policies and actions in those fields should be synthesized, concerted and co-ordinated at a central point, which his delegation felt should be the Council. The early and effective implementation of the recommendations relating to the rationalization of the Council's work adopted at the fifty-fourth session would be of the utmost importance in promoting the Council's authority as a central focus for the international development effort.

13. Mr. TIMS (International Bank for Reconstruction and Development) said that the first review and appraisal of progress in the Second Development Decade was one of the major items before the Council. Although it was still too early to discern clear trends or draw firm conclusions, the

¹ Declaration of the United Nations Conference on the Human Environment (A/CONF.48/14 and Corr.1), chap. I.

possibility that the broad targets of the Decade had so far been met to any significant degree seemed remote, notwithstanding the modesty of those targets. Furthermore, development in countries with low average incomes was taking place in a climate of increasing uncertainty and risk. The realignment and flexibility of exchange rates was one element in that situation, but equally significant were the forthcoming trade policy negotiations. Rapid inflation in almost all industrial countries had led to significant upward pressure on prices in international trade, and consequently to higher import costs for developing countries and the threat of an accelerated deterioration in their terms of trade. The ultimate solutions to be adopted by the industrialized countries would be of major importance to the developing world.

14. Since the documents before the Council covered those issues in detail, he would confine his remarks to some issues of a more general nature. At the fifty-fourth session of the Council, the President of IBRD had reported on the changes of emphasis in the Bank's activities and the need to focus increasingly on the development of human resources, improvements in the levels of living of the rural poor and the creation of meaningful employment. All of those areas related to income distribution objectives, which were to be made an essential part of the development process. Similarly, it was suggested in the documents before the Council that the objectives for the Second Development Decade should be modified to bring the distributive aspects of development more sharply into focus. In its report, the Committee for Development Planning endorsed the Secretary-General's proposal that serious attention should be given to the setting of development goals in other than average terms. It was suggested that there was scope for minimum needs standards and national poverty lines, and that separate goals should be set for the countries which were at the bottom of the distribution scale measured by country averages (see E/5293, para. 23). IBRD welcomed those suggestions, since their adoption and implementation could be of significant help in focusing its own programmes more sharply in the desired direction. Efforts were already being made to direct its lending activities towards the least developed countries and the population groups at the bottom of the income dispersion. There was, however, a serious lack of information on the distributive conditions in developing countries and on population groups within them, and the determination of the precise content of loans and technical assistance was therefore a challenging task.

15. Comparisons of average levels of living between countries were gradually becoming more meaningful of improvements in the statistical base in many developing countries. Nevertheless, information remained scanty and often unreliable, particularly in the important areas of income distribution and employment. Action programmes could not wait for adequate information and were in fact being drawn up by Governments which were increasingly aware of the urgency of policies specifically geared to distributive targets. IBRD's programmes, too, were being prepared with those targets increasingly in mind, but the selection of appropriate projects was more difficult than in the case of more traditional projects, and new problems and issues were being encountered. The consequent inevitable delays could result in an initially slow increase in the

transfer of resources, both in absolute terms and as a percentage of total transfers to the developing countries. That emphasized the need for national Governments to continue to carry out the major part of development activities to influence the levels of living of the poorest segments of the population.

16. The establishment of one, or perhaps two, poverty lines would be of considerable value, which would be greatly enhanced if those lines could be formulated in terms suitable for use at both the national and the international level. FAO had already made considerable progress in establishing food norms, and if minimum standards for housing, clothing, public health facilities, medical care and perhaps education were added, a minimum needs standard could be defined and an effort made to identify those who at present failed to meet any or all of the criteria. A second line, representing a minimum for decent living, could also be established as a minimum standard to be achieved for all mankind within a specified time. IBRD would welcome such an exercise and would be prepared to assist in the work when requested. A project of that kind could considerably shorten the time needed to obtain the relevant information on the distribution of income and employment, since it would not necessarily have to follow the formal statistical frame of national accounting.

17. IBRD's programmes of country economic work were used as an input in the review and appraisal of progress in the Second Development Decade. Among recent changes had been the introduction of a more diversified approach to that work, distinguishing between, on the one hand, the need for description and analysis of economic and social structure and structural change, and, on the other, the need for short-term analyses. It was intended to designate one economic report every four or five years as a "basic report" on issues of long-term growth and structural change. Similarly, a substantial number of in-depth sector studies at the country level were planned.

18. Another change also reflected the growing concern of IBRD with the least developed countries: although they accounted for only about 8 per cent of the population of the developing countries in which IBRD operated, it was intended that in the current fiscal year, their share in the total manpower input for IBRD's economic work should reach about 20 per cent.

19. The country economic work of IBRD was supplemented by a system of annual country programme evaluations. That process permitted regular evaluation of development perspectives, capital requirements and World Bank programmes, and also comparative analyses between countries and aggregative analyses of trends by region and country group. Country projections, particularly of capital flow and the developing countries' exports, suffered from the shortcoming that they might in the aggregate not represent feasible targets or might be based on inconsistent assumptions. Furthermore, the consequences of rapid inflation in the industrialized countries needed to be reflected in each of the projections for developing countries. Those issues could only be studied and resolved in a more aggregative framework embracing all the flows of goods, services and capital between the developed and the developing countries.

20. It had now become possible to present those country projections in an aggregative way permitting a coherent analysis of trade, capital flows and inflation in a global context. Such projections could be of invaluable assistance in analysing the future path of development, the constraints on acceleration, comparative trends between country groups or regions and the consequences of alternative policies adopted by the developed countries. That system could be used in future stages of the review and appraisal process by presenting projections for the remainder of the Decade on alternative assumptions, which could be worked out together with the Secretariat and UNCTAD. IBRD would welcome the full use of its systems of analysis for that purpose.

21. The future course of development was clouded by major uncertainties which tended to increase the risks now borne by developing countries in their international economic relations. Decisions reducing those uncertainties and risks were required within a short time. The growing awareness of the need to focus on the poorest countries complicated the development tasks of the international community and more effort, especially in terms of concessional assistance, was required in order to come to grips with the problems of economic and social development, which after all concerned the whole world and not the developing countries alone.

22. Mr. SCALI (United States of America) said that the present was one of the rare moments of history when men could significantly shape their future. A more favourable international climate had been created by new understandings between the world's most powerful States. The world was becoming a safer place to live in but it was necessary to make it also a better place. The question was how the United Nations could profit from the improvement in the relations between East and West. It was to be hoped that the new spirit of co-operation would gradually be reflected within the Organization, but it must seize what might possibly be the last opportunity to reorganize and improve its handling of world issues. The Council must lead the way in that respect, because 90 per cent of United Nations funds were channelled into programmes which came within its competence.

23. Attention was at present focused on the international economy and monetary situation. Although the steps the United States had taken to control inflation and improve its balance of payments had not yet halted the fall in the value of the dollar, it agreed with the Managing Director of IMF (1860th meeting) that the gradual strengthening of its payments position, an essential prerequisite for a durable reform of the international system, would soon become apparent.

24. The United States Government had not allowed its grave concern over the state of its balance of payments to weaken its commitments abroad. Subject to Congressional agreement, the United States Government planned to make an additional \$20 million available to UNDP, thus raising the total sum committed for 1973 to \$90 million.

25. It had responded promptly to the appeal for help from the Sudan-Sahelian populations, having contributed

about a quarter of the 472,000 tons of food grains being supplied, allocated over \$21 million in commodities, contributed \$3 million in cash – one third of which was for air lifts to Mali and Chad – and an additional \$300,000 to FAO's Sahelian Zone Trust Fund, assigned three aircraft to deliver food to outlying regions and was prepared to assign more aircraft as requirements were identified. More data were, however, necessary before the international community could do more than try to meet immediate needs. His Government was ready to provide disaster relief specialists to assist in the task as required. It welcomed the steps taken by the United Nations to identify the needs and to assume the leadership in seeing that they were met. A high degree of international co-ordination and planning would be necessary.

26. Another area in which international co-operation was vital and where the United States had increased its contributions over the past year was that of drug abuse. The response of other member Governments had, however, been disappointing. In addition to its original contribution of \$1 million to the United Nations Fund for Drug Abuse Control, the United States had pledged an additional \$4 million to the Fund, in its conviction that only a multilateral programme could deal with the problem of drug abuse. The United States asked for the co-operation of countries less affected by the problem, just as it had co-operated in the solution of problems of less concern to it in the past.

27. Both the Secretary-General (1850th meeting), and the President of the Council (*ibid.*) had referred to collective economic security. The concept of collective economic security could be a useful tool in the reform and rationalization of the Council and of the work of the United Nations in the economic and social fields. It was, however, important to put the emphasis on the "collective" rather than the "security" aspect, since to secure meant to preserve and the United Nations would hardly wish to preserve the present division of the world's productive capacity. On the contrary, it should encourage a dynamic approach to development which left scope for individual, corporate and national initiative.

28. At a time when there were signs that East-West confrontation, which had for so long frustrated collective action by the United Nations, was diminishing, it must not be replaced by other opposing blocs. Collective action on any issues within the purview of the United Nations could not be brought about by majority votes, particularly those which resulted from bloc voting, but must come as a result of a general willingness to co-operate in solving problems and a general agreement on how to do so, in other words, the consensus mentioned by the President in his opening statement. The President had also referred to the dead wood of unenforced Council resolutions, which were steadily eroding the prestige of the United Nations and wasting its time.

29. The problems of economic and social development were too complex, too serious and too urgent to yield to the unco-ordinated approach upon which the United Nations had too often relied in the past. What was needed was not more resources – those were already substantial –

but for the Council to provide a greater degree of guidance and integrated planning for the economic and social activities of the various United Nations agencies. Unless the Organization seized the opportunity offered by the easing of international tensions to achieve the purposes for which it was created, public opinion would become increasingly disillusioned. Public opinion could not be mobilized by mere public relations; the best publicity was demonstrable achievements.

30. Public opinion, at least in the United States, already recognized the importance of economic and social development the country having poured \$130 thousand million into foreign aid to those less fortunate since the Second World War. However, it was not certain that the dollars provided by the tax-payer were being used effectively and producing results that could have been achieved only within the framework of the United Nations. Unfortunately, both Governments of Member States and the specialized agencies failed to publicize dramatic instances of success. His own Government, for instance, had given no publicity to the emergency use of an American Earth Resources Satellite to survey the affected area in the Sudano-Sahelian region.

31. Although according to a recent poll only 34 per cent of United States citizens thought that the United Nations was operating effectively, 68 per cent wanted to see it strengthened - a feeling which was probably widespread in many other countries. The Organization must reform and streamline its structure if it was to produce positive results. There must be a renewed sense of purpose and a new dynamism within the Council, to which the Charter had entrusted the direction of the economic and social programmes which received the major proportion of United Nations funds, in order to move it closer to the mainstream of the real world. He pledged his delegation's efforts in support of that goal.

32. Mr. WANG Jun-sheng (China) said that, over the past year, the world situation had continued to develop in favour of the people of all countries. The developing countries had started a surge of opposition to exploitation, dumping and monopoly and many had achieved new successes in their struggle to safeguard State sovereignty and develop the national economy. Bilateral and regional economic co-operation among the small and medium-sized countries had been strengthened and countries exporting raw materials had co-ordinated action against imperialist exploitation, striving for reasonable prices. At a number of international conferences, the developing countries had demanded the establishment of international economic and trade relations based on equality and mutual benefit, the reform of the international monetary system, the right to participate in international trade negotiations on an equal footing and a greater say in the economic field. The Assembly of Heads of State and Government of the Organization of African Unity at its Tenth Ordinary Session had adopted the African Declaration on Co-operation, Development and Economic Independence, had denounced imperialism, colonialism, neo-colonialism and great-Power hegemony. Had put forward a series of proposals, and had stressed the need for the African countries to use their vast internal potentialities to the full, strengthen their co-operation and win and safeguard the economic indepen-

dence of Africa which was so important to the consolidation of the political independence of African countries and the development of their national economies.

33. Many developing countries had been eliminating imperialist influences, taking over economic lifelines and defending their permanent sovereignty over their natural resources. Some had increased the variety of their export products and expanded the export of manufactured goods, thus lessening their dependence on foreign countries. As a member of the third world, China had regarded the victories of its members as its own and would continue to make its due contribution to the common struggle.

34. The gap between the rich and the poor countries, however, was still increasing, owing to exploitation and plunder by colonialism and neo-colonialism. Nevertheless, times had changed and the imperialists had been compelled to make some concessions, although on matters of substance they still held fast to their vested interests. They appropriated the natural resources of developing countries in an attempt to tie their economies to their own economic system so as to bring those countries further under their political control. The big-Power hegemony, under the cloak of "Socialism", was resorting to even more cunning and deceptive means. It stepped in wherever there was a foothold and stretched out everywhere to scramble for spheres of influence. Under the guise of providing "international aid" it was seeking to control and exploit small and medium-sized countries, which must strengthen their unity and expose and frustrate all such schemes.

35. Practice had proved that in order to emerge from poverty and backwardness developing countries must rely on their own efforts and unity and co-operation among themselves. They had great potentialities. In the past, the enormous wealth created by their labour had been plundered by imperialism. They could achieve prosperity and strength if they relied on the force, wisdom and initiative of their own people, planned the exploitation of their natural resources and developed their national economy independently, while making appropriate use of foreign aid obtained on the principles of equality and mutual benefit.

36. Even practical difficulties such as the lack of technical knowledge could be overcome if the developing countries based their plans on the specific conditions of the country and handled the relationship between the development of agriculture and of light and heavy industry properly. Funds for construction could be accumulated by increasing production and practising strict economy; the workers and technical staff could give full play to their talents and gradually master and develop even advanced foreign technology to serve the people of their own countries. In the contemporary world, every country needed international contacts to develop its economy. International economic relations based on the principles of mutual respect, equality, mutual benefit, and supplying each other's needs were indispensable to developing countries.

37. Mutual respect meant, first of all, respect for the sovereignty of other States. An economically developed country should not use economic means to apply political pressure to interfere in the internal affairs of other countries.

38. Equality and mutual benefit meant that not only should the two parties concerned be on an equal footing but their relations should benefit the independent economic development of both. An economically and technologically developed country had the duty to help the developing countries speed up their construction. No country should, on the pretext of “international division of labour” or “joint exploitation”, impose its will on other countries, make their economies become disjointed and lop-sided, reducing them to undetachable subsidiaries of its own, suppliers of raw materials and processing plants, or force developing countries, just freed from one kind of dependence, into another.

39. The supply of each other's needs included trade, the lending of funds and the exchange of technology, which should all be based on mutual respect for sovereignty, equality and mutual benefit. Trade in goods should be an exchange of equal values, without disguised exploitation. Loans to developing countries should be low-interest or interest-free and should have no conditions attached. In cases of difficulties in repaying a debt due, the period of the loan should be extended and there should be no pressure for repayment. New technologies should be transferred to developing countries as cheaply and speedily as possible. Developed countries running joint enterprises with developing countries using the latter's natural resources should fully respect the sovereignty of the countries concerned, share and price products reasonably and not subject the developing country to plunder in a disguised form. However, there were now some people who, in order to realize their expansionist ambitions, begged for funds and technologies abroad on the one hand, and on the other hand sold their own obsolete equipment to developing countries at high prices, extorted large fees for the transfer of technology, practised usury in a disguised form, exploited the labour forces of developing countries, grabbed their natural resources, and even sat on the backs of other countries by sending their “experts” and “advisers”. Such disgusting practices were completely incompatible with the principles of equality, mutual benefit and supplying each other's wants.

40. If those principles were to be truly implemented in international economic and trade relations, it was essential to overcome the obstacles set up by imperialism and great-Power hegemony. Developing countries must win not only political but also economic independence and to achieve this must strengthen their unity against imperialism.

41. The developing countries would strengthen their mutual co-operation and support and learn from each other on the basis of self-reliance, industry and thrift in national construction. At the same time, they needed economic and trade exchanges with other countries based on the principles he had outlined. China supported the Mexican President's proposal that a charter of economic rights and duties of States should be drawn up.² An affirmation, made after full consultations among all States, of reasonable

principles acceptable to all would promote international economic and trade relations based on equality and mutual benefit and expose and combat economic aggression.

42. Some important issues would be discussed at the present session of the Council. His delegation hoped that positive resolutions would be worked out in keeping with the purpose and principles of the United Nations Charter and in the interests of the normal development of international economic relations.

43. Mr. STANOVNIK (Executive Secretary, Economic Commission for Europe) said that he would confine his remarks to what he considered to be the present main economic trends and prospects in the ECE region.

44. During the past year, economic activity in the countries of the ECE region – East and West – had attained a high rate of growth, reaching almost boom conditions in the first half of 1973. The growth rate of about 7 per cent (excluding agriculture in the Eastern European countries) had surpassed the earlier expectations of Governments. The trade of countries of the ECE region among themselves and with other regions had continued its rapid rise at a rate higher than the rate of increase in output.

45. That trend, however, had been accompanied by the emergence of grave problems. Throughout the region there was a pressure on resources which in many countries took the form of an inflationary spiral. The international monetary disorder and uncertainty, while itself partially at least a consequence of pressure on resources and the resulting inflation, was inducing a flight from liquidity into goods and investments, thus further accentuating the pressure on resources. Since the economic boom accompanied by inflation occurred simultaneously in all major industrial countries, inflationary pressures were also diffused simultaneously throughout the world economy. Despite the growing recognition of the need to stop and reverse that trend through intergovernmental co-operation, there had been little success so far, mainly because of structural and economic rigidities in most of the countries of the region.

46. The present growth rates of economic activity therefore gave no cause for complacency. Developments during the past year, however, were providing a stimulus for Governments in the ECE region to consider carefully whether they were faced not with a purely cyclical phenomenon but with a long-term structural trend towards an increasing pressure on resources in all countries and regions of the world, despite differences in economic and social systems.

47. There were many reasons to believe that that pressure would be a long-term, universal problem. The difficulties foreseen in meeting rapidly growing energy requirements, the need to devote a much larger share of resources to environmental improvement, continuous rapid population growth in the developing countries as opposed to the shortage of manpower and the levelling off of population growth in the developed countries: all those factors were likely to have a profound structural effect on the future shape of the economy of Europe and North America.

² See *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. IA, part one, *Summaries of Statements by heads of delegation* (United Nations publication, Sales No. E.73.II.D. Mim.1, part one).

Studies made by the ECE secretariat projecting present trends in the structure of industrial production in Europe indicated that there was likely to be some slowing down in the rate of increase in output during the 1970s and probably also from the 1970s to the 1990s. Those studies also indicated a growing similarity of broad sectoral patterns in both Eastern and Western European economies.

48. The *Economic Survey of Europe in 1971*³ had compared the structure of employment in manufacturing industries in Eastern and Western Europe in the late 1950s and in the late 1960s. In analysing six broad branches of manufacturing industries, ECE had discovered a remarkable trend towards greater similarity. Both economies, irrespective of differences in social and economic systems, tended to increase the relative share of employment in their metal-using industries, moving from roughly 35 per cent of total employment in their metal-using industries in the late 1950s to not less than 39 per cent by the late 1960s. On the other hand, the textile and light industries, which had represented between 32 and 34 per cent of total employment in both East and West in the late 1950s had moved down in both parts of Europe to not more than 28 to 29 per cent of total employment by the late 1960s. Sectors such as food processing, metal-making and other manufacturing industries tended to be rather stable in their share of total employment.

49. The European trend showed an important historical force at work: the so-called international division of labour in a technologically advanced region was no longer following the historical pattern of a specialization between sectors: specialization tended to develop within the manufacturing branches themselves. That trend seemed to indicate that modern technology permitted an international relationship to develop in which countries were brought into a kind of interdependence lending itself to equality in international economic relations. That trend might indicate a parallel rudimentary trend in the world economy at large. Accordingly, it might be expected that the growth of intra-branch trade and specialization would be the principal dynamic source of future trade growth.

50. Because of the labour shortage in almost all parts of Europe, a relative decrease of labour-intensive branches was likely to occur. Policies for further structural change were therefore at the centre of governmental attention. Upon the decisions made would depend not only the efficiency of the industrial economies but also the trading opportunities of the developing countries. The shortage of labour and resources might lead to an increased international movement of capital, technology and management rather than goods alone and thus help to bring about a progressive structural decentralization of the world economy.

51. It was undoubtedly in recognition of those serious problems that there had been increased intergovernmental co-operation among ECE countries during the past year, and not least between countries with different economic and social systems. There had been a particularly rapid growth of intergovernmental agreements of a new kind: for

long-term co-operation in production, technological advance, investment projects and trade for many years ahead. That intensified intergovernmental co-operation did not, however, seem to be paralleled between ECE countries and developing countries outside the region. Perhaps that was because in 1972 imports by ECE countries from the developing countries – especially imports by the market-economy countries of the ECE region – had risen rather rapidly, by some 16 per cent as compared with 11 per cent in 1971. In volume terms the growth had been much less, because in 1972 price rises seemed to have accounted for about 9 per cent of the increased value. An authoritative estimate had been made that the export prices of primary products from the less industrialized countries might rise by about 12 per cent in 1973 compared with 1972 and that that would in turn raise the import prices of the industrialized countries – including imports from one another – by about 5 per cent. But just as the experience within the region – particularly in the East-West context – had shown that, to remain dynamic, modern economic relations could not be limited to the exchange of final products but must spread into production, management and marketing relations of a complex type – known in the ECE region as “industrial co-operation” – so the same pattern was likely to intensify in relations with the developing countries in the future. Indeed, that would be desirable, leading as it would to a gradual change in economic structure with a more equitable distribution of economic power throughout the world.

52. Such a long-term development would be particularly welcome in relation to the international system of “collective economic security” now under consideration by the Council. It could also become an integral part of the International Development Strategy. In the ECE region Governments were now intensely involved in the Conference on Security and Co-operation in Europe, a regional effort vital to global economic security. Both in regional and in global efforts, however, there must be permanent awareness that there was no real security without equity.

53. Mr. AWUY (Indonesia) said that the *World Economic Survey 1972* (E/5310) indicated that, despite persistent imbalances, the world economy had recovered from the recession in 1972. The gap in terms of *per capita* income and in terms of trade between the industrialized and the developing countries continued, however, to widen. The agricultural sector had been the most disappointing feature. The prompt action by the FAO Council in setting up a detailed operational plan for a minimum world food security policy was to be commended. His delegation endorsed the view in the report of the FAO Council that the assurance of an adequate availability of basic foodstuffs was the common responsibility of the entire international community.

54. In the ECAFE region the over-all rate of growth had slowed down in 1972 and the future might see a further decline in the development process. That was attributable to the recession in major world markets, accompanied by prolonged drought which had led to a serious food shortage situation in many developing countries. The “green revolution” had already exhausted its momentum and had failed to keep pace with increasing food needs.

³ United Nations publications, Sales Nos. E.72.II.E.1 (part one) and E.72.II.E.5 (part two).

55. ASEAN, a subregional co-operation group, had achieved steady progress since its inauguration in 1967. It had come into being as a result of the will of its member countries and had not been created by extraneous forces. There was real need for such a group in the area.

56. His own country's economic performance in 1972 had been quite satisfactory. Indonesia's exports had increased, by 34.4 per cent compared with 1971, owing to considerable increases in the exports of oil and several primary commodities, and despite a decline in the value of natural rubber exports to 12 per cent below that of the previous year, owing to the downward trend of world prices. The 1972 balance of payments showed an increase of monetary reserves of \$376 million as compared with the decrease of \$57 million in 1971.

57. Although agricultural production had increased for the first time since the first five-year development plan had been launched, rice production had fallen below the target set for 1972 and that had necessitated substantial imports of rice from various sources. To improve the rice situation in coming years, the Government had increased the availability of fertilizers and other inputs and had liberalized credits granted to farmers.

58. Continuous efforts were being made to decrease the rate of unemployment and to create new employment opportunities. Several aspects of the rural development assistance programme, at village and provincial level, had been improved. In the field of manpower research, planning and training, it was expected that the human resources development centre would soon start its work programme. Indonesia was entering the fifth year of its first development plan, which emphasized agriculture, including forestry, fishery and animal husbandry, as a firm basis for further economic growth. Infrastructural and industrial development had been directed towards supporting growth of the agricultural sector. Although the emphasis in the second five-year plan would remain the same, a much higher rate of growth in the leading growth sectors of Indonesia's economy, notably the extractive and manufacturing industries, was envisaged, in order to broaden the basis of the economy.

59. Social aspects had not been neglected. The priority targets for the second plan included employment, a more equitable distribution of income, and utilization of natural wealth. The principle of a unified approach to development had been given a proper place in the plan.

60. The present session of the Council would have a great bearing on the multilateral trade negotiations which would open at the forthcoming Ministerial meeting of GATT in Tokyo and the monetary negotiations which were to take place at Nairobi, both in September 1973. The first over-all biennial review and appraisal exercise of the International Development Strategy was of equal importance in the Council's deliberations.

61. The process of re-ordering international social and economic relationships now under way would undoubtedly present the Council with a challenge to assume more effectively the functions entrusted to it by the Charter.

62. It was no longer possible to envisage a separate future for rich countries, divorced from that of the poor, for there could be no lasting peace in the world without just prosperity for all mankind. He shared the President's view concerning the need to strengthen the Council and considered that a more sophisticated and bold decision-making process was needed.

63. Although his delegation was encouraged by the continuing trend towards greater mutual accommodation, co-operation and *rapprochement* among the major Powers of the world, developments in the economic and monetary crisis indicated that the world economy was still in a state of considerable flux, moving in search of a new equilibrium. Those uncertainties had adversely affected the development efforts of the developing countries, since the foreign exchange derived from their exports and the financial aid from donor countries had decreased tremendously in real value. Hence it was his delegation's fervent hope that IMF, through the Committee of Twenty, would succeed in settling that cardinal issue by establishing a new international monetary system that was viable and fully responsive to the present needs of all countries.

64. Another development was the growing trend towards larger economic groupings among the developed countries, as exemplified by the emergence of Western Europe as a single unit, and the concentration of trading strength in a number of agglomerations of economic power. While appreciating the advantages of greater economic integration, his delegation was concerned about its possible adverse repercussions on the interests of developing countries; whether such groupings would prove to be "trade creating" rather than "trade diverting" was hard to predict.

65. Another relevant problem was how to evolve the right relationship between developed and developing countries. Such relationships had not yet crystallized into a form conducive to more rapid development in the developing countries or to optimum expansion of world trade. There was a growing awareness that continuing inequalities in the international distribution of wealth were morally unacceptable and incompatible with world peace and security. Although the achievements of the past decade in that respect had been considerable, there was still much to be done in order to arrive at a more effective concept of development co-operation. In that connexion his delegation wished to thank the Netherlands representative for the statement (1861st meeting) that his new Government's guiding principle would be to identify itself with the under-privileged and that it would work for the elimination of unacceptable inequalities wherever they might exist. He hoped that that example would be followed by other developed nations.

66. The first over-all biennial review and appraisal of the Strategy should concentrate on major economic and social trends in the world. His delegation, like the CDP, feared that the International Development Strategy had remained more a wish than a policy and that it had not yet been put into effect with anything like the force needed.

67. The *World Economic Survey 1972* indicated that only five developed market-economy countries members of DAC had attained the target of 1 per cent of GNP for total

financial flows in 1971 and that only one had reached the 0.7 per cent target. Moreover, the grant elements in official development assistance had declined in recent years. In the field of international trade, particularly in access to markets and pricing policy, little progress had been made in implementing the relevant policy measures since the third session of the United Nations Conference on Trade and Development. His delegation hoped that the GATT multi-lateral trade negotiations would be launched as scheduled in 1973 and would bring additional benefits for the exports of

the developing countries. Those negotiations would be wider in scope than any undertaken so far and should improve the international framework of the conduct of commercial relations. His delegation was much concerned lest, because of the developed countries' preoccupation with re-adjusting their mutual relations, the urgent need for implementing such measures would not be given sufficient attention.

The meeting rose at 5.40 p.m.

1866th meeting

Tuesday, 10 July 1973, at 10.45 a.m.

President: Mr. S. A. FRAZÃO (Brazil)

E/SR.1866

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued) (E/5310, E/5311, E/5312, E/5313, E/5314, E/5315)

1. U NYUN (Executive Secretary, Economic Commission for Asia and the Far East) said that the *Economic Survey of Asia and the Far East, 1972*¹ revealed results which on the whole were far from satisfactory. The developing countries of the region had not succeeded in increasing their GNP by 6 per cent per annum, the target set for the Second United Nations Development Decade. The *per capita* income was even lower than in other regions, while unemployment, under-employment and mass poverty were widespread and institutions were backward. Slower economic growth in the developed countries in 1970 and 1971 had had adverse repercussions on the trade of all the developing countries; in some countries in the region, agricultural output had decreased as a result of drought and the "green revolution" had marked time. Since 1967 gross investment had remained stagnant, while the net transfer of external resources to ECAFE had declined steadily. In international trade, the growth rate of the exports of the region's developing countries had fallen while the corresponding rate for imports had gone up. Although the adoption of the generalized system of preferences was an important step forward, it had contributed little towards increasing the exports of certain products in which the developing countries had a cost advantage. Finally, during the last few years, world monetary instability and especially the devaluation of the United States dollar had resulted in substantial currency losses for those countries. The effects of that situation on the increasingly heavy debt-servicing burden shouldered by those same countries were not yet fully

clear, but the Commission had expressed concern over that situation and had urged donor countries and international institutions to examine the problem, and especially the question of debt rescheduling.

2. In his opinion those many difficulties could only be overcome by establishing a regional system which would enable the import surplus from developed countries to be gradually replaced by intraregional exchanges extending over the primary, secondary and tertiary sectors. Sooner or later, developing countries would be capable of producing the machinery and other industrial products they needed; that would not decrease their trade with the developed countries, which could specialize in the export of products requiring highly sophisticated technology.

3. As far as agriculture was concerned, the Commission had recommended in its resolution 137 (XXIX) (E/5277, part III) that efforts should be intensified in that sector and that in co-operation with FAO, an intergovernmental meeting should be organized to consider the development of agriculture in the region. Considerable progress had already been made with regard to certain products, especially pepper, rubber and wood, as well as rice thanks to the setting up of an Asian Rice Trade Fund.

4. It was a matter of satisfaction to ECAFE that UNEP was now firmly established. The Commission had recognized the need to prepare long-term and short-term programmes in that field, with the support of member countries and international financial institutions.

5. The Commission intended, however, to concentrate its efforts on the elimination of mass poverty and unemployment, as it was convinced that such efforts, in accordance with the views expressed by CDP, should form an integral part of planning for the economic and social development of the countries of the region. That problem had been

¹ United Nations publication, Sales No. E.73.II.F.1.