

36. Having long since recognized that economic growth could not be an end in itself, his Government placed great emphasis, in its current development plan, on land reform, the reduction of unemployment and programmes to ensure for the particularly deprived sectors of the population a more equitable share in the advantages of development. In general, the Philippines was seeking to implement the recommendations contained in paragraphs 60, 61 and 63 of the International Development Strategy<sup>5</sup> concerning, *inter alia*, the application of science and technology to development. The fact remained, of course, that self-help programmes did not relieve the developing countries from the need for external assistance.

37. The need to co-operate with other countries would not, however, detract in any way from the determination of the Philippines to fulfil its responsibilities to the United Nations. In particular, the Philippine Government gave its full support to the activities of UNICEF. In that connexion, his delegation, along with other countries, would submit a draft resolution proposing the summoning in 1974 of a special pledging conference to enable UNICEF to attain its goal of \$100 million in Government contributions by 1975.<sup>6</sup>

38. With regard to UNCTAD, his delegation particularly appreciated the activities carried out with a view to the

<sup>5</sup> For the text of the Strategy, see General Assembly resolution 2626 (XXV).

<sup>6</sup> Subsequently circulated as document E/AC.6/L.530.

formulation of a code of conduct for liner conferences and was also taking a constructive part in the formulation of a charter of the economic rights and duties of States. Those two instruments could not but serve the cause of development.

39. On the whole, it remained indispensable to do more to mobilize public opinion about development problems, and in that connexion he endorsed the report of the Secretary-General (E/5358 and Corr.1), in particular paragraphs 23 to 33. In the last analysis, the objectives of the Strategy could not be achieved without the support of the peoples themselves, and their support could not be gained without genuine programmes of information carried out at both a world and a national level.

40. The need for information prompted him to make an observation on the necessity for the Council to ensure that it had the most recent information at its disposal so as to be able to take viable decisions. The Chairman of CDP had pointed out at the 1861st meeting that the Committee had based its conclusions concerning the beginning of the Second Development Decade on data concerning the late 1960s. If relevant figures were not available in good time, he wondered how the mid-term exercise of review and appraisal would be carried out in 1975, and whether it should even take place. The Council should perhaps give some thought to that question and submit it to the General Assembly for decision.

*The meeting rose at 1.15 p.m.*

## 1871st meeting

Thursday, 12 July 1973, at 3.20 p.m.

*President:* Mr. S. A. FRAZÃO (Brazil)

E/SR.1871

### 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. OLMEDO VIRREIRA (Bolivia) said that most speakers had mentioned the greater dynamism which had recently inspired the action of the Economic and Social Council so that it was attaining its objective of becoming the international negotiation forum at the highest level, without abandoning its normal function as the co-ordinating centre for the many organs which composed the United Nations system. That work of co-ordination called for great efforts and was becoming increasingly complex as more and more bodies were established within the United Nations system. With the substitution of permanent negotiation for the systematic confrontation which had for so

long characterized the international scene, new multinational bodies were being created and old formulas revised. The Council was therefore responsible for ensuring maximum productivity and minimum wastage of United Nations resources.

2. Twenty-two years earlier, Bolivia had decided to carry out the structural changes necessary for a balanced economic growth, taking over the management of its basic resources, liquidating the vast unproductive estates and, through universal suffrage, involving the masses of its inhabitants not only in the tasks of development but also in the decisions they entailed. That progressive policy had not required the recommendations of development agencies but had come about through the will of the people. The efforts of the people and Government were now strengthening and extending those achievements. Bolivia, aware of its restricted market, participated in three regional integration schemes, including the Cartagena Agreement, the aims of

which were true economic unity through the harmonization of the economic policies of its members. Bolivia had not hesitated to unite its efforts with those of the other members because it was sure that co-operation with neighbouring countries would provide a solution to its problems as a land-locked country.

3. At the international level, Bolivia did not discriminate between countries with different economic or political systems and remained ready to enter into economic, trade and development co-operation agreements.

4. He had described Bolivia's national economic policy in order to demonstrate the country's determination to speed up its development, but without the necessary international co-operation any sacrifices it made would be in vain. The interdependence of all States in their development efforts was generally recognized and there was general agreement on the need to work out a policy to ensure the development of the least developed among the developing countries. There was no lack of machinery to deal with that situation, including the International Development Strategy for the Second United Nations Development Decade, the aim of which was to eliminate injustice, imbalance and constant crises.

5. Although it was impossible to evaluate the results so early in the Decade, the recent review and appraisal had shown a lack of political will and of decisions on the adoption of measures to implement it. Outdated attitudes were putting obstacles in the way of the changes necessary to enable all peoples of the world to have opportunities for development. The Executive Secretary of ECE had said at the 1865th meeting that a new international division of labour, based on an intra-sectoral system, was perfectly feasible.

6. Eighteen months earlier, the Governments of the United States of America and Japan and the Government of the United States and EEC had proposed that multilateral trade negotiations in which all countries would be able to participate should be held in GATT,<sup>1</sup> and had stated that those negotiations would pay special attention to the problems of the developing countries. Although the preparatory work had advanced with respect to agreement on the technical aspect, the other aspects of the negotiations were as vague as ever. Bolivia, as a relatively less developed country, felt that preferences alone were an inconclusive means of solving the problems of the developing countries, as tariff barriers were bound to disappear sooner or later and mere commercial incentives would not produce spectacular reactions in the production structure of countries which lacked the necessary infrastructure. It was only through preferential treatment in a multisectoral context that more equitable trade exchanges would be achieved: in other words, in addition to access to markets, there should be soft-term financial aid, technical assistance and better arrangements with regard to shipping. Only thus would it be possible for the developing countries, apart from the most advanced, to obtain their due share of international trade.

7. Since there was little possibility of the developing countries being able to participate in the short-term in trade

in manufactures, their only hope was the export of basic commodities, a field characterized by disorganized markets, opposition to the establishment of remunerative and equitable prices and the permanent threat of the flooding of world markets with the reserves or surpluses of the industrialized countries. It was to be hoped that the intergovernmental consultations on that subject being carried out by the Secretary-General of UNCTAD would be successful and that it would be possible to add a few new agreements to the meagre list of commodity agreements.

8. In view of the close connexion between the monetary and trade sectors, the establishment of 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) was a positive step which would enable all countries to participate in decisions of universal interest. The prospect of a link between SDRs and development financing was also a welcome development.

9. With regard to external financing, the developing countries were concerned at the decrease in the flow of finance for development, which resulted in failure to achieve agreed targets and was contrary to the aims of the Strategy, although some industrialized countries were fulfilling their commitments and others were making efforts to do so. Bolivia shared the concern of other developed countries at the rapid growth of external debt, which was a heavy drain on the scanty resources upon which they relied for the purchase of imports necessary for their development.

10. The Cartagena Agreement in no way prevented its members from accepting private foreign investment, which could provide useful development resources as well as new technology. Its aim was only to direct such investment to high priority sectors and open the way to a market of 60 million persons with an import substitution capacity of over \$6,000 million, as well as common tariffs to protect the country's production until it attained the necessary capacity. Criticism of that instrument meant either ignorance of its rules or a disregard of economic and political realities.

11. The activities of the multinational corporations should be examined with respect not to their multinational dimensions, but to their distortion of world trade: for example, speculation in the purchase and sale of raw materials, failure to transmit technology or its sale on unfair terms, diversion of supplies to their own production chains and even the taking of decisions which were the prerogative of the States themselves.

12. The Third United Nations Conference on the Law of the Sea was of particular interest to Bolivia. Like other land-locked countries, it did not wish to see any restriction on freedom of the sea and the common heritage constituted by marine resources and it maintained that any extension of territorial waters or creation of exclusive economic zones was contrary to its interests. Coastal countries that cherished sound principles of solidarity could not and should not increase restrictions on the access of land-locked countries to the sea and the so-called exclusive economic

<sup>1</sup> See GATT documents L/3669 and L/3670.

zones should be for the use of the whole surrounding region.

13. Mr. ODERO-JOWI (Kenya) said that an important feature of 1972 had been the simultaneous operation of contradictory economic forces. There had been a constant and continuing expansion in international trade, yet resources were not being fully utilized, unemployment had either increased or remained high and inflation had become an important economic problem, at least for some of the industrialized countries. At first sight, it would appear that the developing countries had derived not benefits from the general expansion of international trade. For example, they had experienced some increase in their export earnings, as demand had raised the prices of primary commodities. Agricultural production, however, had suffered a net decline of 1 per cent and the developing countries' share of total world exports had declined for the second year running.

14. The most disturbing of the adverse economic conditions experienced by the international community in 1972 had been the persistence of international monetary instability. The failure of the currency realignments under the Smithsonian Agreement of 18 December 1971 to create long-term international monetary stability had been disappointing. Most countries, while realizing that those realignments would not lead to lasting settled conditions, had expected them to be followed immediately by serious multilateral monetary negotiations, aimed at producing a more dependable alignment of the major trading currencies. The result of the failure to take such action had been the dollar devaluation in February 1973, but that step, coupled with the floating of a number of other important currencies, had failed to stabilize the situation. Despite the pressure on the dollar and the pound sterling, the United States and United Kingdom monetary authorities maintained that their two currencies were undervalued and that the solution to the problem did not lie in devaluing them further. If that was so, the current crisis was largely psychological and irrational. Whatever the causes, the time for stop-gap measures was past and the problem must be faced. Experts had identified one element of disturbance as the existence of large dollar balances in the hands of foreigners who did not wish to hold them and the normal forces of international trade continued to increase those balances. Action was thus required to remove some of those dollars from international circulation. A possible solution which had been suggested was that the United States Government should revert to the convertibility of the dollar, even for a limited period. If that suggestion was practical, it should be adopted.

15. It has also been suggested that certain domestic events in the United States of America were causing some holders of dollars to want to get rid of them. To the extent that those events were temporary, the disturbances which they were causing on the international monetary scene must also be considered temporary. The immediate need was for action which could have a cooling effect, and it appeared that open international market operations by United States authorities in support of the dollar were beginning to have that effect.

16. Another factor thought to be partly responsible for the present pressures on the dollar was the poor export performance of the United States. It was to be hoped that there would be a speedy return by that country to a surplus export position, but if that was to have a substantial long-term positive effect on its balance of payments the relevant authorities in the United States might have to take complementary action. For example, the high cost of production in the United States was bound to offset any advantages which that country might have stood to gain from the recent devaluation of the dollar. Thus quite apart from the need to rationalize present trading relations, high production-cost countries such as the United States should take internal measures to lower those costs, in order eventually to facilitate new trading arrangements.

17. Two years earlier the Kenyan delegation had sounded a warning – which had gone largely unheeded – that an international monetary crisis was imminent.<sup>2</sup> At that time, it had suggested that a conference on international monetary problems should be urgently convened. Such a conference, the preparatory work for which would naturally fall largely upon IMF, was more than ever necessary in order to ensure that all parties whose interests were substantially affected by the problem were afforded a fair chance to play their part in the common search for a solution to it. Although the developing countries had, on the average, been the greatest losers from recent events, they had had no say at all in the efforts and arrangements so far made to deal with the problem. That unsatisfactory approach must not be allowed to continue; the developing countries must be associated with any efforts to solve the international monetary problem. His delegation suggested that the annual meeting of the Boards of Governors of IBRD and IMF to be held at Nairobi in September 1973 should be converted into the international conference on monetary problems which his delegation had advocated. IMF, as at present constituted, was not equipped to deal with the matter on its own and an effective solution would continue to evade the international community unless the political power and weight of such a conference was brought to bear on the problem.

18. In examining its own procedures, work methods and constitutional responsibilities with a view to enhancing its influence and political authority, the Council had been guided by the basic tenets set forth in the Charter of the United Nations. Two basic facts had emerged from that exercise. Firstly, the Council – or any other United Nations body – could not command the moral authority and political influence necessary for effective implementation of the purposes and principles of the United Nations unless the collective membership of the Organization and of the Council resolved to invest it with that authority and influence. It must be recognized that any ineffectiveness or weakness on the part of the Council arose in part from the conflicting ambitions and policies of its members, and particularly of its more powerful and influential members. Those ambitions and policies had effectively frustrated all efforts to invest the Council with the political authority needed to enable it to fulfil its mandate under Article 55 of

<sup>2</sup> See *Official Records of the Economic and Social Council, Fifty-first Session, 1779th meeting, para. 42.*

the Charter. Consequently, the Council was held in contempt both by those who would like to use it for ends unrelated to the purposes and principles set forth in the Charter and by those who lamented its failure to fulfil those purposes and principles. Secondly, it was realized that the Council was afflicted by a lack of rational and effective co-ordination with the specialized agencies and other United Nations bodies and by its own lethargy and lack of vision and vigilance. For example, the Council had taken more than two years to consider the continuing international monetary crisis and had only responded in a half-hearted manner. It had not embarked on a concerted programme to deal with the various problems of the widening gap between the developed and the developing countries, and its action in response to the long-lasting drought in certain countries was too little and too late.

19. The Council should develop and refine the concept of collective economic security, both in the light of economic and social crisis situations and for the implementation of the International Development Strategy. In so doing, it should adopt an integrated and comprehensive approach, based on the realization that economic and social processes co-existed and affected each other. The development of that concept should be based on the need to ensure prompt and effective collective action: the identification of economic or social situations which might threaten or frustrate the attainment of the objectives set out in Article 55 of the Charter and in the International Development Strategy; the need to prevent an aggravation of crisis situations; and the need to maintain international economic and social stability in the context of development.

20. In his delegation's opinion, the answer to the question of how to ensure that the Council's decisions were made effective and enforceable did not lie in the introduction of the concept of decision by consensus. It strongly believed that members of the Council should indicate their willingness to take joint and separate action in fulfilling the objectives set out in the Charter by adhering to the procedures already defined in the Charter itself. Decision by consensus was not in accordance with Article 67, paragraph 2 of the Charter and had two major weaknesses. Firstly, it entailed no clear commitment on the part of members of the Council and, secondly, it allowed the minority to veto the wishes of the majority. His delegation's concern at that attempt to stultify the Council's democratic and legitimate procedures was deepened by the realization that it stemmed from unwillingness on the part of certain members of the Council to exercise the political will referred to in Article 56 of the Charter and therefore represented a further effort to deny the Council the political authority it needed to discharge its functions and powers effectively.

21. In order to ensure that the United Nations was given the support and co-operation it needed, Member States should inform their public about the Organization's positive achievements and its shortcomings. There were, of course, those who were disenchanted with the United Nations because they had found it difficult to use the Organization for achieving aims which were totally inconsistent with the spirit of the Charter. Others were disappointed with the United Nations for its failure to realize the ideals which it

had set itself. Africans, for instance, were particularly disappointed by the failure of the Organization to ensure speedy changes in such areas as decolonization, the liquidation of *apartheid*, and economic and social progress in Africa, but they had never suggested that they were disenchanted with the United Nations, which they were determined to support and were willing to reform and perfect.

22. It was heartening to note that a number of developed countries were turning to the United Nations as the forum and agency for the promotion of international co-operation and development. His delegation commended the approach adopted by the Netherlands, Denmark, Sweden and Norway. The Netherlands Government had given a clear lead in stating that it would work for the elimination of unacceptable inequalities wherever they might exist and that the United Nations system should be the main channel for extending assistance, not only to refugees but also to people living in liberated areas. It was to be hoped that all members of the Council would emulate the example set by the Netherlands.

23. Mr. DUGERSUREN (Mongolia) said that his delegation, like others, attached great importance to the Council's present session, which was taking place at a time of transition from policies of confrontation to negotiations which were opening the way for mutual understanding and co-operation. That favourable development had been possible principally because of the purposeful policies of the Soviet Union and the socialist countries; the emergence of realism in the foreign policies of a number of Western countries had also played its part.

24. The first part of 1973 had been of historic significance for the strengthening of international peace and the security of peoples. The end of the neo-colonialist war in Viet-Nam had opened up excellent prospects for the full restoration of peace in Indo-China and the further improvement of the situation in Asia and throughout the world. The agreement on the prevention of nuclear war, concluded at the recent Soviet Union – United States summit meeting,<sup>3</sup> was also of great importance for the strengthening of world security. A successful outcome of the Conference on Security and Co-operation in Europe could usher in a new era in relations between European States, which would in turn have a favourable effect on the world situation. Nevertheless, efforts must not be relaxed. The situation in the Middle East remained explosive as a result of the reckless aggression committed by Israel. The cold war still had its supporters and some attempts were being made to resist the reduction of tension.

25. The recognition by the leading Western Powers of the need for policies of peaceful co-existence, and their economic, scientific and technological co-operation with countries having a different social structure, constituted a recognition of the growing importance of the socialist community of countries in the world economy. The task of the international community was now not only to consoli-

<sup>3</sup> Agreement between the United States of America and the Union of Soviet Socialist Republics on the Prevention of Nuclear War, concluded on 22 June 1973.

date the positive advances made but also to infuse a spirit of *détente* and realism into international economic relations. The success of the Council's work would depend on the extent to which it was able to achieve that goal.

26. His delegation hoped that, in evaluating the progress made in the Second United Nations Development Decade, the Council would concentrate on the objectives which genuinely reflected the interests and aspirations of the developing countries.

27. The situation described in the *World Economic Survey, 1972* (E/5310) was a mixed one, many of whose aspects were bound to cause serious concern. The capitalist economies were suffering monetary upheaval, inflation, increased unemployment and growing signs of economic crisis. Monopolistic corporations were endeavouring to shift the burden on to workers at the national level and on to the developing countries, which were still in the orbit of the capitalist system of world economy, at the international level. The authors of the *Survey* had correctly included a record increase in import prices and the international monetary crisis among the reasons for the unsatisfactory economic situation in developing countries, which were becoming the victims of a currency crisis for which they had been in no way responsible.

28. The reason why the developing countries' efforts to eliminate the consequences of colonial domination and to develop their national economies were not succeeding was that the old colonialism had been replaced by neo-colonialism, a new system for exploiting the developing countries in which multinational corporations played a leading role. The favourite activities of those corporations were the plundering of natural resources and interference in the domestic affairs of young States. The annual production of some 150 large multinational corporations outside their national territories had been estimated at \$500,000 million – more than the national product of any country except the USSR and the United States. It was quite natural that the activities of those corporations, which posed a threat to the political independence of developing countries, should be coming under increasingly sharp scrutiny by the international community.

29. The developing countries were intensifying their struggle for economic independence and the protection of their legitimate interests from encroachment and exploitation by neo-colonialism. The mobilization of internal resources and the introduction of broad social and economic changes – in brief, social decolonization – were of vital importance in that struggle. In the African Declaration on Co-operation, Development and Economic Independence, adopted at the Tenth Ordinary Session of the Assembly of Heads of State and Government of the Organization of African Unity, African countries had clearly stated their determination to defend their economic independence and had emphasized the need to carry out radical economic and social changes. Mongolia's own experience had convinced it of the need for such changes. Following its national revolution, a decisive role in the establishment of the national economy and the construction of a new society had been played by such changes as the confiscation of feudal property, nationalization of land,

the establishment of a centralized financial system, the creation and consolidation of the State sector, the gradual elimination of private capital from the national economy and the establishment of a State monopoly in foreign trade. Through such measures, Mongolia had been able to overcome centuries of backwardness and embark upon modern development.

30. The developing countries naturally required assistance and support in their efforts to remedy the aftermath of their colonial past. A radical transformation of the entire system of economic relations between developing and developed countries was required in order to improve the developing countries' economic situation. In that connexion, the Mongolian delegation had supported the proposal made at the third session of UNCTAD for a charter of the economic rights and duties of States<sup>4</sup> and was convinced that the draft statement by the United Nations on promoting the development of co-operation in economic, trade, scientific and technological matters on the basis of equality, submitted by eight socialist States to the General Assembly at its twenty-seventh session,<sup>5</sup> could provide the basis for the preparation of such a charter. Collective economic security could be ensured by the consistent application of the principles of respect for the political and economic independence of all countries, equal rights and non-intervention in affairs within the domestic jurisdiction of States in developing mutually advantageous international economic relations.

31. The economic situation of the socialist countries had been characterized by dynamic growth in 1972 and their position in the world economy had been consolidated. They had accounted for about 40 per cent of world industrial output in 1972 and now constituted an important factor in world economic development. As a member of CMEA, Mongolia attached particular importance to the implementation of the Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA member countries. Its main task was the establishment of the material and technological basis of socialism through further industrialization, mechanization of agriculture and raising the level of technology in the national economy, thereby constantly raising the standards of living and culture of the Mongolian people. Mongolia had achieved significant success in reaching the targets it had set itself; the assistance and support provided by the Soviet Union and other socialist countries had greatly contributed to that success.

32. Industrialization was proceeding satisfactorily and the share of industrial output in the net national product had risen to about 28 per cent. In agriculture, active steps were being taken to consolidate the material base and to ensure the stable growth of animal husbandry. Mongolia was now fully self-sufficient in grain. One fourth of the population

<sup>4</sup> See *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.73.II.D.4), annex I, A, resolution 45 (II).

<sup>5</sup> See *Official Records of the General Assembly, Twenty-seventh Session, Annexes*, agenda item 12, document A/8963, para. 38.

was receiving education of various kinds and the level of living of the people was constantly rising. The average annual growth of real *per capita* income was 5.5 per cent.

33. Important action had been taken in the last two years under the CMEA Comprehensive Programme. A number of modern installations were being built in the period 1970-1975, including a Soviet-Mongolian venture to exploit one of the largest copper and molybdenum deposits in the world. Mongolia's national income had risen by 7.3 per cent in 1971 and 1972, while industrial production had increased by 11.4 per cent in 1972, exports had increased by 12 per cent and imports by 5.8 per cent.

34. The description of Mongolia's economic situation given in the *World Economic Survey, 1972* (E/5310) was inaccurate. No mention was made of the qualitative advances in the national economy resulting from the tremendous efforts of the Mongolian people, while the false conclusion was drawn, on the basis of fragmentary data, that rates of economic growth in Mongolia as a whole had slowed down. His Government was, however, well aware of the difficulties it was facing and was doing everything possible to reduce or eliminate them. For example, the lack of manpower and unfavourable natural and climatic conditions had adverse affects on economic activity, particularly in the agricultural sector.

35. The Council was faced with great tasks as a result of the far-reaching changes which had recently occurred in the world. The collapse of the colonial system and the emergence of many young States in the international arena had raised important problems, while new trends in trade and economic co-operation also had to be reflected in the Council's work. The Mongolian Government considered that an expansion of the Council's membership would provide additional opportunities for greater participation by new States and it had therefore deposited its instrument of ratification of the necessary amendment to Article 61 of the Charter. As part of the process of rationalizing the Council's activities, his delegation supported the proposal that the Council's agenda should be confined to a limited number of important and urgent questions. It fully endorsed the views expressed by the representative of Kenya concerning decision by consensus.

*Mr. Scott (New Zealand), Vice-President, took the Chair.*

36. Mr. BOUDJAKDJI (Algeria) said that his delegation welcomed the enlargement of the Council to ensure a more equitable division of international responsibilities. His country would play its part in the Council's work based on the experience it had gained in carrying out its first four-year plan and in the implementation of its cultural, industrial and agrarian revolutions, the aim of which was to create a just society.

37. Algeria endorsed the President's call, in his opening statement (1859th meeting) for world-wide action leading to world-wide prosperity and was convinced that only the satisfaction, on a basis of total equality, of the aspirations of all people to freedom, justice, peace, security and economic and social well-being could produce the necessary balance in international political and economic relations.

38. Important developments during the last few years had included the dialogue between the Soviet Union and the United States of America, and trade not only between those two Powers but between East and West, with its implications for the trade of the third world. At the very start of the Second United Nations Development Decade, there had been great events foreshadowing fundamental changes in international relations. It was, however, questionable whether that apparent desire for peace and co-operation would have a real effect on the division of the world into rich and poor countries.

39. While relations between countries with different economic and social systems were improving in Europe, the tension in Africa, Asia and Latin America was being maintained and the third world was the chosen site for aggression, political pressure, exploitation and economic blackmail. Tension was increasing in the Mediterranean region, where the Zionist aggression was still paralysing the economies of the Middle Eastern countries, in the Indo-Chinese peninsula and near the main oil fields, which were the principal suppliers of cheap energy for Western industry.

40. In a world where countries were necessarily inter-dependent, economic and political relations based solely on selfish interest and tension between great Powers could result only in permanent instability, which would be harmful to the future of mankind as a whole. It would surely be preferable to base the future of the world on the fundamental principles of the United Nations as set forth in the Charter.

41. The international changes of the past few years would have inevitable effects on the development of world economic relations. The future of the contemporary world must be largely determined not only by co-existence between large social and economic systems but also by a readjustment of their relations with the remaining two thirds of mankind.

42. Since the aspirations of the developing world were mainly based on the principle of non-alignment, the importance of the Fourth Conference of Heads of State or Government of Non-Aligned Countries, to be held at Algiers in September 1973, was of great importance. Its aim would be to determine the place and role of the third world in the current readjustments, so that they could be based as far as possible on justice, liberty and equality for all States.

43. The adoption by the General Assembly of the International Development Strategy for the Second United Nations Development Decade had been greeted by the developing countries as a measure with far-reaching consequences. It offered a framework for co-operation in which developing and developed countries undertook to pursue converging policies and objectives in order to accelerate economic and social progress, particularly in the third world. It called, however, for concerted efforts to promote the growth and progress of the developing countries. Unfortunately, the results so far achieved showed that that effort had not been forthcoming, since it did not seem that the targets, modest as they were, would be attained.

44. It was disturbing to note that only two countries had respected their commitments concerning official aid, despite the steady increase in the global GNP. That could be explained only by an absence of political will on the part of the developed countries. The official aid supplied to the developing countries was not even enough to cover debt servicing.

45. The developing countries must therefore substantially increase their export income, the main source of which was still raw materials. They could not do so, however, unless economic adjustments were made in favour of those exports and agreements were reached on income stabilization. The developed countries, however, had preferred to continue their protectionist measures, especially with regard to manufactures and semi-manufactures from the developing countries. They appeared determined to discourage any efforts at industrialization and to restrict the economies of the developing countries to the supply of raw materials.

46. The forthcoming multilateral trade negotiations within the framework of GATT would change the world economic order for some time to come. It was therefore intolerable that they should once more take place without the effective participation of the developing countries and even more so that the latter should pay the price for confrontation or agreement among the developed countries. The developed countries must define their position on reverse preferences and the future general agreement must determine the aims and methods of negotiation, establish the principle of non-reciprocity between developed and developing countries and adopt a list of products to be the subject of negotiations between the two sides and a time-table for those negotiations.

47. In addition to the harmful effects of an unfavourable monetary situation and uncontrolled inflation on the economy of the developing countries, those countries had not yet been given the means to make their external trade an effective instrument in their national development. The failure of the third session of UNCTAD, like that of the two earlier sessions, dispelled any hope of positive changes in trade or other economic fields.

48. The rich countries, however, were consolidating their efforts, increasing and balancing their trade and thus countering the effects of the monetary crisis. Assurances had been given that the vast trade expansion for which those countries were preparing was intended to be a decisive stage in a rise in the world standard of living. The preparatory stages of the GATT negotiations, however, did not offer any favourable prospects for the poor countries, whose proposals would no doubt be once again disregarded. Such an attitude, whether due to misunderstanding or selfishness, would only render useless the small progress achieved.

49. The rich countries were for the moment benefiting from the present monetary crisis, which explained their obvious lack of any urgent efforts towards the establishment of a just and coherent international monetary system. Inflation in the Western countries inevitably led to an increase in the prices paid by the developing countries for

their imports and consequently to a further deterioration of the terms of trade. Even when it led to an increase in the prices of certain exports from the developing countries, that process always resulted in a net transfer of real resources to the developed countries.

50. An example of that phenomenon was the transactions concerning the oil industry. The States members of OPEC had fought and were continuing to fight for fair prices for that commodity, safe from monetary fluctuations. That was an encouraging example of the developing countries' rejection of any monetary system based on a refusal to bring about healthier international economic relations by means of a democratically agreed solution. The principle of SDRs was generally agreed to be an important element of any plan for reform. They could not, of course, be considered an international reserve instrument if they were not subject to the collective management of the whole international community.

51. The importance of the application of science and technology to development had been recognized by the Council for several years. In fact, at its forty-first session, in 1966, it had had before it a proposal by ACASTD to establish a World Plan of Action for the Application of Science and Technology to Development.<sup>6</sup> Unfortunately, the interesting proposals made in the draft plan had met with opposition from the industrialized countries. Yet the technological revolution was at present upsetting all ideas hitherto held about the power of States. The developing countries were becoming increasingly aware of the importance not only of the acquisition of new technology but also of its adaptation to national needs. Consequently, the true dependence of the developing countries lay in the refusal of the rich countries to facilitate their access to modern technology. The technology they offered was either outdated or very expensive, or both. In that connexion, UNIDO had been unable, for lack of resources, to carry out its task of promoting the transfer of modern technology to the developing countries at a reasonable cost, in order to enable them to increase their economic growth and to consolidate an independence which continued to be threatened.

52. It was impossible to over-emphasize the serious problem of the multinational corporations, which constituted the major political and economic problem of the time. For the developing countries, they represented new forms of intervention and domination. Free from any control, those corporations created enclaves in the countries where they established themselves which were completely isolated from the surrounding social and economic reality and served the economy of the dominant country, becoming for it an instrument of penetration and intrigue. Their activities were all the more serious in that in many cases they failed to respect the sovereignty of the country in which they had installed themselves. It would be useful if the Council could draw up a code of conduct for the activities of such corporations, integrating them in the economic and social development process of the host country and in any case protecting the sovereignty of that country.

<sup>6</sup> See Council resolution 1155 (XLI).



53. In view of the somewhat pessimistic analysis of the international situation, the Fourth Conference of Heads of State or Government of Non-Aligned Countries, to be held at Algiers in September 1973, should devote special attention to economic questions and the study of methods to be used with a view to promoting mutually advantageous interregional and international co-operation.

54. At the broader international level, Algeria reiterated its wish to contribute to the search for a new international order which would guarantee an era of peace and stability in the world because it was based on justice and equality.

55. Preceding speakers who had spoken of the general and sectoral trends in the Second Development Decade had recognized that the results anticipated had not been achieved. Governments and public opinion in the countries best able to eradicate poverty were taking no action. A few hours away from the richest capitals, a terrible climatic phenomenon had caused millions to be threatened with famine and death and the destruction of their property. Although the solidarity shown on that occasion was encouraging, it should help the world to realize the extent and urgency of the action needed, not only to prevent such catastrophes, but also speedily to reduce the development gap between the rich and the poor countries.

*Mr. Frazão (Brazil) resumed the Chair.*

56. Mr. PHAN VAN PHI (Observer for the European Economic Community), speaking at the invitation of the President, said that the enlargement of EEC would considerably increase its impact on world trade. From 1958 to 1972 EEC's trade with its industrialized market-economy partners had increased threefold, while imports from the socialist countries of Eastern Europe had developed rapidly. EEC had become the world's primary importer of products from the developing countries, to a total annual value of nearly \$18,000 million in 1972 as against \$6,000 million in 1958. Its imports from developing countries had been well balanced and had been further diversified by the introduction of its generalized system of preferences in 1971.

57. The internal economic expansion of the Six had brought about an increase in imports from the developing countries which had been even more rapid than that in other developed countries. Similar developments could be expected in the enlarged Community.

58. With regard to the enlarged Community's policy of association, the second Yaoundé Convention<sup>7</sup> would remain in force until the end of January 1975, after which the Community was prepared to continue its policy of association both with the present parties and with developing countries members of the Commonwealth in Africa, the Pacific and the West Indies. The independent Commonwealth countries were also offered two further possibilities: association entailing reciprocal rights and obligations, notably in trade, or simple trade agreements. On 1 August 1973 negotiations on the basis of those three options would be opened and at the same time negotiations concerning the

renewal of the Yaoundé Convention would start among the parties to the Convention.

59. For that reason the conference to open in Brussels at the end of July would be of extreme importance. It would be attended by the members of the Community and the countries at present associated with it. Nineteen Commonwealth countries from Africa, the Pacific and the West Indies and five other African countries would have the opportunity of giving their views on future relations with the Community.

60. The Final Act of the Treaty of accession<sup>8</sup> included a joint statement of intent concerning the development of trade relations with Sri Lanka, India, Malaysia, Pakistan, Bangladesh and Singapore, in which the Community declared itself ready to examine any trade problems that might arise in order to find appropriate solutions, taking into account the generalized system of preferences and the situation of the developing countries in the same geographical area.

61. Regarding the future, the enlarged Community had recognized its increased responsibilities to the developing countries. The Ministerial Meeting of the Group of Ten and EEC, held at Paris on March 1973 had affirmed that those countries were justified in claiming increased assistance and a more equitable use of resources. At that meeting the Community had for the first time adopted a global development policy preserving the commitments of the past and opening up a much wider framework for the future action of the Community. That was a long-term policy, the effects of which would be felt only gradually over the years to come, but certain aspects of it were already known, such as the conclusion, in appropriate cases, of commodity agreements and the improvement of the generalized system of preferences. That system had been in existence for only two years; from the experience of those two years it was possible to contemplate the future with optimism.

62. Naturally, the system had met with certain difficulties: a relatively small number of developing countries had been able to use the preferences, especially at the beginning, and for many commodities the ceilings had often not been reached. Although some 40 countries were now benefiting from the preferences, much remained to be done to inform exporters about the possibilities of the Community's system.

63. The Commission of the European Communities had taken part in seminars on generalized preferences held by UNCTAD at Santiago and Bangkok and by ECA at Addis Ababa. The Commission itself had held seminars in Uruguay, Brazil, Argentina, Chile and Mexico and would be holding others in Malaysia, Singapore, Indonesia and the Philippines.

<sup>7</sup> Convention of Association between the European Economic Community and the African and Malagasy States associated with that Community, signed at Yaoundé on 29 July 1969.

<sup>8</sup> Treaty concerning the accession of the Kingdom of Denmark, Ireland, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland to the European Economic Community and to the European Atomic Energy Community and Act concerning the Conditions of Accession and the Adjustments to the Treaties, signed on 22 January 1972 (*Official Journal of the European Communities*, Special Edition (Brussels, 27 March 1972)).



64. In the multinational trade negotiations to be held in GATT, EEC's aim was not only that the developing countries should not be adversely affected but also that their trade and export earnings should be improved. To that end, the Council of the European Communities had adopted three guide-lines: the improvement of generalized preferences, including higher ceilings, more flexible modalities of application, the inclusion, after a case-by-case examination, of more products of particular interest to the developing countries, and an increased preferential margin for products already included; changes in the developed countries' import regulations designed to promote exports from the developing countries; and action to regularize markets for certain agricultural products through international agreements taking special account of the interests of the developing countries.

65. M. BANERJEE (India) said that the debate on agenda item 3 was of value since it served to define the context in which the Council must consider individual items on its agenda. While agreeing to a certain extent with those who felt that annual stocktaking by the Council of broad trends could be overdone, since one year was not long enough to discern broad trends in the world economy, he felt that the present exercise was particularly significant because the Council was engaged in the much wider endeavour of the first biennial review and appraisal of the implementation of the International Development Strategy. Almost all the items on the Council's heavy agenda related to that review.

66. That was all the more important in the light of the efforts to revitalize the Council and to restore its constitutional role under the Charter. At the fifty-first session it had been recognized that, unless the Council was more representative, it could not easily become more responsible and the idea of expanding its membership had been introduced. Although the sessional committees had already been expanded, a situation in which 27 members had a voice but no vote was unsatisfactory. His delegation trusted that by the twenty-eighth session of the General Assembly the question would be settled with the effective implementation of the amendment to Article 61 of the Charter. At the fifty-fourth session of the Council a discussion had been held on measures to rationalize the work of the Council and its subsidiary bodies, and a number of decisions had been taken, the implementation of which would determine whether professions of good faith would be of enduring value.

67. He endorsed the hope expressed by various representatives that a revitalized Council would be better able to ensure proper co-ordination of the activities of the various organs working in the economic and social fields. His delegation did not conceive that function as one of interference with the day-to-day work of those bodies, or as one involving a conflict with their governing bodies. The Council should, however, consider aspects of their work which had an inter-agency or inter-sectoral significance and system-wide implications, in order to promote a sense of a true United Nations family and not a haphazard collection of organizations. Co-ordination must be considered in relation to substantive work programmes in order to harmonize them and avoid any overlapping and waste.

68. Mere institutional reform would be useless unless the Council could adequately play its role as a key organ in economic and social fields. In the past the Council had been over-concerned with peripheral interests and had been able to give even those only superficial attention. The need to deal with central issues decisively, to take into account broad system-wide aspects without intruding on the sectoral responsibilities of specific agencies, deserved urgent and continued attention.

69. He hoped that the inconclusive negotiations on the review and appraisal of the Strategy begun at the fifth special session of the Trade and Development Board in May 1973 and the second session of the Committee on Review and Appraisal could be continued at the present session. Unfortunately the Second Development Decade was going the way of the first, with far less excuse. It was no longer possible to plead ignorance of the interrelationship between the quantitative and qualitative aspects of international development as the reason for the international community's failure to take remedial action. The causes of the prosperity of nations were now sufficiently understood: what was needed was to act upon that knowledge. The most important element in translating the International Development Strategy into reality was therefore political determination to act on its objectives. The Council should consider specific ways of improving the machinery to ensure the implementation of the objectives of the Strategy. His delegation did not oppose the refinement of the various indicators for evaluating those objectives, but such an endeavour must not be made at the cost of an honest attempt to assess the extent of their implementation. In the review and appraisal exercise it was essential not to look back, but to look forward.

70. His delegation had particularly appreciated the statement by the Netherlands representative (1861st meeting) and his suggestions about what the international community must do to improve the implementation of the International Development Strategy. His delegation was prepared to follow the Netherlands lead and hoped that other members would do likewise.

71. Closely related to that question were the important negotiations about to open on the international monetary system and trading arrangements. It was necessary for countries to return to a system of stable but adjustable exchange rates as soon as possible. Decisions on that matter, whether short-term or long-term, needed to be taken in a forum larger than the Group of Ten or the Group of Fourteen as it had become. Vital interests of the developing countries were affected by decisions on those issues and it was unacceptable that those who were affected by such decisions should not be represented in the deliberations preceding them.

72. There had been extensive discussion on the question of making SDRs the principal reserve asset, but the gap between precept and practice was wide. While recognizing that such a development might have to be gradual, his delegation considered that SDRs should form a larger proportion of total reserves than at present. It therefore suggested that SDRs should be created regularly every year without a gap. Moreover, it was necessary to control

speculative capital movements to ensure that exchange rates should not be at the mercy of ruthless speculators. His delegation attached the utmost importance to the inter-relationship between trade, monetary matters and development finance, and in particular to the earliest possible creation of a link between SDR creation and additional resources for financing development. There were no technical obstacles to such a measure and equity and reason pointed to the need for using SDRs to the maximum extent possible.

73. Vague assurances had been given that the interests of developing countries would be taken into account in the forthcoming round of multilateral trade negotiations in GATT, but similar assurances before earlier rounds had not prevented such negotiations from concentrating on the problems of developed countries alone. It was therefore necessary to agree in advance on a set of guidelines to ensure that the developing countries would in fact secure additional benefits. Enlargement of the preferential arrangements amongst developed countries and the reduction of industrial tariffs following the multilateral trade negotiations would seriously erode the meagre benefits which the developing countries had secured under the generalized system of preferences. While welcoming the trend towards the liberalization of world trade, his delegation felt that steps should be taken to ensure that the developing countries did not emerge from the exercise as net losers. As a first step, therefore, the generalized system of preferences should be made fully operational.

74. In the context of the discussion on collective economic security, there was one aspect of crucial importance: the increasing interdependence of the world community and the conclusion that vital issues in whatever field – including the link and preferential trade arrangements for developing countries – could no longer be discussed by a few countries alone.

75. His delegation wholeheartedly endorsed the President's call for consensus (1895th meeting), since without general agreement no resolution would have any validity. His delegation did not, however, conceive of consensus as the lowest common denominator represented by the views of the most non-co-operative member of the community, but rather the highest common measure of agreement. The Council must try, through constructive confrontation, to reach a consensus based on an agreed vision of the world. Such an attempt should preferably be made, given the limitations of time, not through formal debate but through the conciliation procedures of informal contacts. Once such consultations had proceeded as far as possible, discussion at a higher level might prove fruitful. The task of bridging the insuperable gap remaining after informal consultations might well be assisted by the presence of Ministers. Representatives depending upon instructions might be more pessimistic about the possibility of progress than political leaders with greater comprehension of what was ultimately possible.

76. Mr. WINQWIST (International Chamber of Commerce), speaking at the invitation of the President, said that business throughout the world concurred with the warning given by the Secretary-General in his opening

address to the Council (*ibid.*) regarding the dangers of the present uncertainty on the international monetary and trade front.

77. Since August 1971 recurring currency crises and parity changes had been coupled, paradoxically, with a sustained and vigorous growth of world production and trade. If that situation continued, the security and stability needed for further expansion of international trade would be seriously jeopardized, and unilateral action, in the form of protectionist measures, would be taken by the nations concerned to protect what they considered to be their own interests, to the detriment of economic and social progress in developed as well as in developing countries.

78. Clearly, Governments and business had a joint interest in co-operating to avoid that state of affairs. Present prospects were not reassuring. Irrational and unpredictable movements in exchange rates had reached such magnitude that the foundation of normal international commercial transactions and investment was on the verge of crumbling. Inflation threatened the maintenance of full employment and investment. The situation on the world commodity markets was characterized by a strong upward swing of prices, together with export restrictions. Production and trade channels were therefore in danger of breaking down. It was urgently necessary that Governments should reach agreement on short-term means of restoring equilibrium on the exchange markets and co-ordinate their domestic policies to curb inflation by all appropriate measures consistent with positive social policies. That in no way detracted from the need to pursue the search for solutions to the longer-term problems.

79. Representatives of Governments, central banks and the financial world would meet at Nairobi in September 1973, at the annual meeting of the Boards of Governors of IBRD and IMF, to consider the action to be taken for restructuring the international monetary system over the longer term. What was needed was a monetary system based on stable but promptly adjustable parities, and measures to ensure the necessary symmetry in the adjustment obligations of surplus and deficit countries. The reform must take account of the justified needs and special problems of the developing countries, whose representation within the Committee of Twenty should help to make a reformed monetary system more resilient.

80. The success of the forthcoming multilateral trade negotiations in GATT was equally important. Besides tariff reductions, they should achieve progressive dismantling of non-tariff barriers to trade in manufactures, greater freedom in agricultural trade in favourable conditions. On that last point, ICC attached the utmost importance to the search for ways of speeding up the developing countries' integration into a world system based on fairness and mutual advantage, while providing them with more stable outlets for the primary products which still represented the main source of their foreign exchange reserves.

81. Time was the enemy. It was his duty to issue an urgent warning that unless Governments took concerted action without delay, long-term monetary and trade reforms would become increasingly difficult to achieve.

World economic growth would be arrested and a recession might be at hand. The multilateral system of trade would be disrupted and unemployment was bound to spread.

82. ICC fully recognized the difficult task facing the negotiators. He assured the Council that business in each country was ready to give Governments the support needed for their efforts and to provide the basis of international understanding among businessmen which was essential to negotiations among Governments.

83. The PRESIDENT said that it was his intention to adjourn the debate on agenda item 3 at that stage and to

provide the opportunity of a further one or two meetings for members to comment on the statements of position made.

84. In reply to a question from Mr. SANTA CRUZ (Chile), the PRESIDENT said that, to enable the delegations to deploy their members as advantageously as possible, he would give as much advance notice of the dates of those further meetings as was possible. He hoped to inform the Council of the dates the following day.

*The meeting rose at 6.10 p.m.*

## 1872nd meeting

Tuesday, 24th July 1973, at 10.45 a.m.

*President:* Mr. S. A. FRAZÃO (Brazil)

E/SR.1872

### AGENDA ITEM 3

#### General discussion of international economic and social policy, including regional and sectoral developments (continued) (E/L.1561/Rev.1)

1. The PRESIDENT said that the meeting would be devoted to an exchange of views on the statements made during the general debate.

2. He pointed out that the Chilean delegation had submitted a draft resolution on the general discussion of international economic and social policy, including regional and sectoral developments (E/L.1561/Rev.1).

3. Mr. de SEYNES (Under-Secretary-General for Economic and Social Affairs) said that the general debate had been held in an atmosphere of political *détente* and that, consequently, the Council's responsibility seemed more deeply involved than ever with regard to the objectives assigned to it by the Charter. It was, however, first of all necessary to analyse the conditions under which it would be possible to benefit from the results of that atmosphere. *Détente* must promote economic co-operation within the United Nations, but for several reasons it would not bring it about automatically. There was a danger of at least temporary maladjustments resulting from diversionary strains in commercial and financial flows which might be a temporary consequence at least of *détente*, particularly in a situation characterized by a shortage of certain raw materials. Those strains should not be exaggerated, but it was necessary to be mindful of them. On the other hand the obstacles which had hampered economic co-operation within the framework of the International Development Strategy seemed to be unconnected with the political tensions of the past few years; it could therefore not be affirmed that *détente* alone would eliminate them. Co-

operation as it had been defined in the United Nations was based on a spirit of concession and non-reciprocity, the vicissitudes of which were not necessarily related to the political climate. That spirit might reaffirm itself during the appraisal of the Strategy, the forthcoming GATT negotiations and the sugar negotiations which affected 200 million inhabitants of developing countries. On those occasions the industrialized countries might indicate whether they were willing to make the additional efforts which political *détente* seemed to require. Finally, the complexity of the world economic system, which was apparently the main concern of the Council and would probably not lessen as a result of *détente*, had very little to do with political tensions.

4. The present economic emergency was characterized by contrasts and imbalances, the existence of both shortages and surpluses – since the trend had been reversed from 1971 to 1972 – and by the emergence of conflicts between growth and the quality of life, which conflicts were heightened by the energy shortages which were beginning to develop.

5. The situation was, however, mainly characterized by widespread inflation and the uncertainty of the international monetary situation; it was therefore necessary to consider how the Council could usefully approach those problems. Since 1971, it had become apparent that the recently-adopted International Development Strategy did not define the conditions under which the world economy should function if the obligations it embodied were to have the best chance of being met. Two new events had occurred since the opening of the general debate: OECD had published a report<sup>1</sup> in which it raised a cry of alarm about inflation, which was certainly the most disturbing phenom-

<sup>1</sup> OECD Economic Outlook, No. 13 (July 1973), Paris.