

Africa. Moreover, the economic turmoil caused by price fluctuations had placed certain countries in a particularly difficult situation. The special programme adopted by the General Assembly aimed at meeting the needs of the most seriously-affected countries through a series of short- and medium-range measures under the supervision of an *ad hoc* committee. That would be the first set of measures adopted by the General Assembly to deal with a general economic emergency.

87. He concluded by expressing his delegation's fervent wish that common problems and efforts might bring together ever more closely the various countries, and lead to fuller mutual understanding, more effective co-operation and progress towards peace and prosperity.

*The meeting rose at 5.25 p.m.*

## 1905th meeting

Monday, 8 July 1974, at 10.15 a.m.

*President:* Mr. A. KARHILO (Finland)

E/SR.1905

### AGENDA ITEM 3

**General discussion of international economic and social policy, including regional and sectoral developments (continued) (E/5479, E/5486, E/5490, E/5502, E/5517, E/5521 and Add.1-3, E/5532 and Corr.1)**

1. Mr. ISLAM (Pakistan) said that the present world economic system had demonstrably failed to benefit the majority of mankind. It favoured a few rich countries, to the detriment of the others, and had indeed been devised to perpetuate a situation which enabled the rich to exploit the poor and the strong to dominate the weak. The disparity between living standards in developed and developing countries showed that the system was inadequate and unjust. It was no longer acceptable to the majority of mankind. The collapse of the monetary system, the disruption of the international trading pattern, soaring commodity prices, the energy crisis and the failure of existing institutions to stabilize prices and the cost of living had brought developing countries to the brink of economic breakdown. That situation was the culmination of a process which had developed over the years, but nothing constructive had been done until the energy crisis had forced the developed countries to start a dialogue with the developing countries in an attempt to solve their own problems.

2. At its sixth special session the General Assembly had adopted a Declaration on the Establishment of a New International Economic Order, but the reservations entered by many countries gave the impression that the new economic order they envisaged was one in which the voice of the developing countries would be heard, but the decisions would continue to be made by the developed countries. Attempts were clearly being made to ensure that the new economic order would continue to serve the interests of those countries, without due regard for the rights of the developing countries. Some apparently feared that the balance of payments surplus of oil-producing countries, for example, would have a catastrophic effect on the international economic order. On the contrary, it might be the beginning of a more balanced order. The industrialized countries had had a balance of payments surplus with

the rest of the world for decades. The outcome would depend on how the surplus was used. He did not doubt that the wealth would be used wisely and in the interest of all mankind. The newly-rich countries would naturally consider the welfare of their own people first, but they were clearly aware of their responsibility to help the less well-endowed developing countries and had already begun to play a part in the establishment of a new economic order.

3. Nevertheless, economic power remained with the countries which had wielded it for the past century and their co-operation would be needed to change the present one-sided system. It would be in their own long-term interest to help to restructure international monetary and economic institutions in a way that would benefit all countries equally and to avoid a confrontation between the developed and the developing countries.

4. Certain factors which had hitherto prevented the proper economic growth of the poor countries must be removed to enable them to prosper. The principal adverse factors were unfavourable terms of trade and international trade barriers. In recent years, international trade barriers had in fact increased and trading rules had become more complex, with the result that developing countries found it increasingly difficult to compete with the developed countries. The economic association of some industrialized countries for the protection of their agriculture and industry had been detrimental to the poor countries. Unrealistically low tariff quotas and global ceilings, product classification into sensitive and semi-sensitive categories, and complicated regulations regarding such matters as the origin and "authenticity" of products confused traders. The unilateral application of import rules prevented some developing countries from diversifying their exports.

5. The developing countries had seen their share of world decline and hoped to obtain better trading opportunities through the multilateral trade negotiations launched by GATT. Those negotiations should be allowed to begin without further delay. They should be guided by the principles and objectives of the Tokyo Declaration of the

GATT Ministers and the relevant provisions of the Programme of Action adopted at the sixth special session of the General Assembly. Their aim should be to increase the developing countries' share of world trade and their foreign exchange earnings, to improve market access for their exports by the removal of tariff and non-tariff barriers, and to ensure stable, remunerative prices for their products. To correct the present imbalance in world trade, the negotiations would have to be based on the principles of non-reciprocity and preferential treatment for developing countries. The generalized system of preferences should be maintained, improved and extended.

6. The growth of developing countries was also impeded by the present international monetary system, whose reform was of vital importance to the world economy. The Programme of Action outlined measures for its reform. An integral part of the reform should be the promotion of a net transfer of real resources from the developed to the developing countries. A link should be established at an early date between the allocation of SDRs and additional development finance. He had been disappointed to hear that the Committee of Twenty of IMF had called for yet another study on that subject; he hoped that the study would be completed expeditiously and would lead to positive action. The developing countries had a right to full participation in decisions on the reform of the monetary system and to a fair share of the resulting benefits. That right was recognized in the draft Charter of Economic Rights and Duties of States adopted by the UNCTAD Working Group at Mexico a few days earlier. The development of poor countries was also impeded by their huge debt-servicing burdens, monopolistic freight rates, the high cost of the transfer of technology, and the continuing brain drain.

7. He expressed disappointment at the lack of progress in regard to the Special Fund envisaged in General Assembly resolution 3202 (S-VI), although the urgent need for effective measures was universally admitted and there had been a consensus of opinion on the section of the resolution dealing with the Special Programme. It was all the more disappointing that a number of delegations had been unable to make substantive statements during the two sessions of the *Ad hoc* Committee on the Special Programme. Urgency should be the keynote of the Special Programme. He suggested that the Council should direct the *Ad hoc* Committee to consider the question of the establishment of the machinery of the Special Fund as a matter of the highest priority and to complete its work without further loss of time.

8. The report of the Group of Eminent Persons convened to study the role of multinational corporations on development on the international relations (E/5500/Add.1) would be most useful as a preliminary document and the recommendations in it merited serious consideration by both developed and developing countries. He agreed with the Secretary-General (1900th meeting) that the problems raised by multinational corporations should be thoroughly and continuously studied and he supported the Group's recommendations that a commission of 25 experts on multinational corporations should be established. He also supported the recommendations for the establishment of an information and research centre in the United Nations

Secretariat to provide administrative support for the proposed commission, and he favoured an annual discussion on multinational corporations in the Council. Above all, however, it was necessary to formulate and adopt an international code of conduct to regulate and control the activities of multinational corporations. The proposed commission should give priority to the formulation of such a code.

9. The Secretary-General's report on collective economic security (E/5529) was a timely and cogent document. He agreed that the concept of collective security was applicable to economic as well as military relations among States, but felt that the concept of collective economic security needed further elaboration and urged the Secretary-General to expand the practical scope of the four tasks he had outlined for international institutions: assessment, regulation, provision of equity, and emergency assistance (section III. A). It was the duty of the international community to introduce and apply certain regulations aimed at promoting international economic security. The study rightly stated that provision of equity meant measures to ensure that gains in economic welfare reached all countries and all levels of society. The evolution of a new economic and social order, which had been accelerated by the recent economic crisis, would continue and he was confident that a more just and stable order would emerge. Since the process of change was governed by global forces, regional developments and national goals and policies, steps must be taken at all those levels to mitigate the difficulties of the most seriously affected countries, to further the economic development of all countries and to promote collective economic security.

10. Mr. W. RAHMAN (Observer for Bangladesh), speaking at the invitation of the President, said that the Declaration and Programme of Action adopted at the sixth special session of the General Assembly, which would have been inconceivable 25 years earlier, marked a departure from the old concept of an international economic order based on domination by the strong and rich to one of interdependence and collaboration. Little effective action had been taken to attain the assistance objectives laid down in the International Development Strategy; as the Committee for Development Planning had observed, that Strategy remained more a wish than a policy. The new Declaration and Programme of Action raised new hopes. If, as the Indian representative had said (1903rd meeting), they were implemented urgently and effectively, they could help to rectify the inequities and weaknesses of the international economic system. That would depend on the political will of the developed countries, which should ungrudgingly provide expertise and equipment and encourage developing countries in every way possible to earn the foreign exchange they needed.

11. The Programme of Action rightly recommended the implementation, improvement and enlargement of the generalized system of preferences. Unfortunately, the developing countries could not take full advantage of the tariff concessions because the system still excluded products of major export interest to them. A recent UNCTAD study<sup>1</sup>

<sup>1</sup> TD/B/C.5/22 and Corr.1.

revealed that only 30 to 50 per cent of imports eligible for preferential treatment had actually received such treatment and that preferential schemes covered only about 25 per cent of dutiable imports from developing countries. To remedy the situation, the developed countries could take *ex-ante* and *ex-post* measures to avoid further damage to the economies of the developing countries. The most effective way of improving the system, however, would be through extended product coverage, larger tariff cuts and liberal ceilings and tariff quotas.

12. He welcomed the General Assembly's decision at the sixth special session to establish a Special Programme for additional emergency aid to the most seriously affected countries to enable them to overcome their present difficulties and achieve self-sustained economic development. He hoped that immediate action would be taken to give effect to the emergency programme, for the situation was desperate in countries like his own. There was a danger that the upheavals in the world economy would seriously affect his Government's five-year development plan.

13. The hopes raised by the Tokyo Declaration of GATT Ministers concerning the multilateral trade negotiations appeared to be fading. The negotiations should be started in earnest, with the following objectives: additional benefits for the trade of developing countries through improvements in the generalized system of preferences and trade concessions; the restriction of preferential tariff margins for products of export interest mainly to developing countries included in the generalized system of preferences and the exclusion of such products from most-favoured-nation treatment and tariff reductions; larger preferential tariff cuts for products of export interest to developing countries included in the system and consideration of the export interests of the least developed and land-locked developing countries.

14. He agreed with the Secretary-General that the Council was the logical organ of the United Nations to be entrusted with responsibility for collective economic security and that security was correlated to the concept of collective political security. The interdependence of the present-day world called for a new strategy of dynamic stability, based on global responsibility for the development of all countries. Acceptance of that principle would ensure the economic security of all countries and avert economic upheavals such as present one, which had widened the gap between the rich and the poor. He noted with satisfaction the work done by the UNCTAD Working Group at Mexico City and welcomed the Charter of Economic Rights and Duties of States. He agreed that States should co-operate in establishing more rational and equitable international economic relations and encourage structural changes in harmony with the interests of developing countries in particular. All States had a right to participate in the formulation of international decisions to solve world economic and monetary problems and to share equitably in the resulting benefits. All States should promote co-operation in the transfer of technology and help developing countries to apply the achievements of modern science and to develop indigenous technology. All States had the right to exercise permanent sovereignty over their natural resources.

15. The basic assumptions underlying the International Development Strategy would have to be re-examined in the context of the new world economic situation. That situation called for an integrated policy on primary commodities. To establish such a policy, to fulfil the expectations of the sixth special session of the General Assembly and to prepare for the 1975 special session, it would be necessary to overhaul and strengthen existing institutional machinery. The Council should concentrate on ways and means of implementing the Programme of Action.

16. Bangladesh attached particular importance to the forthcoming World Food and World Population Conferences. He hoped that the former would result in the establishment of a permanent buffer stock of food grains to absorb the impact of sudden fluctuations in the commodity markets. He welcomed the study on the impact of multinational corporations on the development process and on international relations and thought that serious efforts should be made to evolve an acceptable code of conduct for such corporations that would benefit the developing countries.

17. Mr. ZEGERS (International Monetary Fund) said that the Managing Director of the Fund, who regretted that he was unable to leave Washington at the moment, had asked him to present the following statement.

18. The results of the recently-concluded international monetary reform exercise undertaken by the Committee of Twenty of IMF had fallen short of what had been hoped for at the time of the Committee's establishment in 1972 but, in view of the turbulent developments in the world economy over the past two years, the Committee's achievement had been noteworthy for its scope. While in the present uncertain circumstances it had not been feasible to prescribe fully articulated monetary arrangements for the longer term, there was a substantial measure of agreement on the broad objectives of a reformed system and a general commitment to pursue policies that would promote those objectives. Seen in that context, the programme of immediate action agreed upon in Washington<sup>2</sup> providing for the preparation of draft amendments to the Articles of Agreement of IMF for further study by Ministers and submission to member countries before February 1975, was, in his view, a significant step in the evolution of the international monetary system.

19. To provide for the continuation of such evolution, it had been decided that a new permanent organ of the Fund with decision-making powers in supervising the management and adaptation of the monetary system was needed at ministerial level. The proposed council would strengthen the voice of the international community, developing and developed countries alike, and help to guard against the possibility of harmful and excessively nationalistic policies. Since such a council could be established only by an amendment to the Articles of Agreement, it had been decided that an interim committee on the same lines, but with advisory powers only, should be set up meanwhile.

<sup>2</sup> See IMF press release No. 74/32 of 13 June 1974.

20. Another important area in which the wishes of the international community as a whole would be given added weight was the management of the present floating exchange rate system. It was gratifying to note that the Executive Directors had adopted a decision on guidelines for the management of floating exchange rates. Those guidelines would help to ensure that countries conducted their exchange market intervention in the light of internationally agreed criteria and would provide a framework for a continuing dialogue among countries on the appropriateness of their external policies.

21. In the Committee of Twenty, the Ministers had agreed that members of the Fund should be invited to undertake not to introduce or intensify trade or current account restrictions for balance-of-payments purposes unless the Fund had first found that such measures were justified. Although of a voluntary nature, that declaration showed the joint determination of all countries to avoid policies that could be harmful to the principles of international co-operation in the difficult period ahead.

22. Another point on which the Committee of Twenty had been able to reach rather general agreement was the importance of enhancing the role of SDRs in international reserves. A new method of valuation of the SDRs had been adopted, based on the 16 most important currencies in world trade; it should add a welcome measure of stability to what eventually become the central asset in world reserves. The SDR would initially bear a rate of interest of 5 per cent, which was higher than under the former valuation but still well below market rates and low enough to emphasize the essentially co-operation nature of IMF.

23. The growing role of the SDR would benefit all members of the Fund by enabling the international community to improve procedures for the management of global liquidity. At the same time further work would be needed on the part to be played by the other major elements of international liquidity: gold and national currencies. The Executive Directors would study those questions in the coming months.

24. The measures he had mentioned should benefit all members to the Fund by making the international monetary system more efficient and responsive. There were in addition several specific proposals and recommendations which would be of particular interest to the developing countries members of the Fund.

25. Firstly, the Committee of Twenty had endorsed the establishment of a new facility with expected initial resources of over SDR 3,000 million (\$3,600 million) to help members to meet the initial impact of the increase in oil import costs. The Managing Director hoped that the facility would constitute an important source of additional financing to countries which might otherwise be driven to adopt policies that were undesirable both for their consequences for domestic development programmes and for their effects on trading partners.

26. Secondly, there was widespread support for the extended Fund facility referred to in General Assembly resolution 3202 (S-VI) which, as part of the immediate

programme of action recommended by the Committee of Twenty, would provide resources on a somewhat more ample and longer-term basis than normal to countries with structural weaknesses in their balance of payments and which would be of particular benefit to developing countries with substantial levels of concealed unemployment. Much work had already been done on the proposal, which he hoped could be implemented in the near future.

27. Thirdly, although there was so far no agreement on the means by which the necessary transfer of real resources to developing countries should be achieved under new monetary arrangements, there was widespread recognition of the magnitude and urgency of the problem. It had therefore been agreed that a joint committee of the Fund and the World Bank should be established at ministerial level to continue the study of the question and to recommend measures. The committee would give particular attention to the difficulties of the countries most affected by present economic conditions. Work done in that area would, of course, be closely co-ordinated with that done by other organizations.

28. Fourthly, it had been agreed that the question of the link between development assistance and SDR allocation should be further studied and that the Executive Directors should prepare a draft amendment for the consideration of Ministers. That did not mean that there was general agreement on the link, but certain major countries which still had serious reservations on the matter would re-examine their attitude to the question in the context of carefully worked out legal texts.

29. While the package recently agreed upon in Washington was a significant contribution to the evolution of the international monetary system, progress in the international monetary field would be of little comfort to member countries of the Fund if they were unable to control the serious domestic problem of inflation. The Ministers in the Committee of Twenty had recognized the seriousness of the problem and had affirmed their determination to adopt the necessary policies to combat it. Inflation was an evil which was most harmful to those least able to protect themselves. The richer and more industrialized countries therefore had a special obligation to the poorer nations to adopt effective and realistic domestic policies.

30. Mr. PETRIĆ (Yugoslavia) said that the Council was holding its present session at the time when it was expected to assume an important part of the responsibility for the implementation of the historic decisions of the sixth special session of the General Assembly. President Tito had recently emphasized that the significance of the special session lay primarily in the fact, on the initiative of the non-aligned countries, it had adopted, by consensus, decisions laying the foundations of a new, more equitable system of economic international relations and had stressed, in particular, that the Declaration and the Programme of Action on the establishment of a New International Economic Order proceeded from the principles of equal rights, sovereign equality and respect for the interests of other countries — an essential factor for the successful solution of the acute problems confronting the international community.



31. The Declaration embodied elements of vital importance for future relations in the world economy. It rightly emphasized that the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, *apartheid* and neo-colonialism in all its forms continued to be among the greatest obstacles to the full emancipation and progress of the developing countries and of all the peoples involved, and that the present international order was in direct conflict with current developments in international political and economic relations and perpetuated inequality. It also rightly stressed the reality of interdependence of all the members of the world community and recognized that the developing world had become a powerful factor that made its influence felt in all fields of international activity and that the irreversible changes in the relationship of forces in the world necessitated the active, full and equal participation of the developing countries in the formulation and application of all decisions concerning the international community.

32. The Declaration and Programme of Action undoubtedly heralded a new period of more equitable international economic co-operation.

33. As a result of the awakening of political consciousness and struggle on the part of numerous peoples and social movements which were unable to live in the old political and social relationships, and of the unprecedented upsurge of productive forces based on modern science and technology, the world was going through a process of deep transformation. Earlier structures and obsolete relationships were irrevocably yielding to new, progressive relationships. The Declaration rightly stressed that the greatest and most significant achievement during the last decades had been the achievement of independence from colonial and alien domination of a large number of peoples and nations.

34. All those profound changes had, however, been attended by many conflicts and contradictory movements and had given rise to numerous problems which the world community, and above all the United Nations, must solve. While interdependence and interrelationships were increasing, so also were disproportions in development, with a widening gap between the developing and developed countries. Trend which were bringing the world closer together were accompanied by tendencies, fostered by colonialism and neo-colonialism in all its forms, to disrupt and divide it.

35. The significance of the sixth special session lay precisely in the fact that the United Nations General Assembly had, for the first time, confronted the entire complex of international economic problems, including all the political implications. The Council's efforts to implement the measures and principles inscribed in the documents adopted should therefore be viewed as part of the general struggle for progress and equality. Mankind had no alternative but to apply the principle of active peaceful co-existence to relations among all countries and peoples and to the solutions of all international problems, including economic problems.

36. At the special session the General Assembly had firmly asserted that it was no longer possible to deny the right of States and peoples to full sovereignty over their

natural resources, to sovereign decision-making on the shaping of their destinies and to participation on equal terms in the taking of all decisions that concerned the international community. Efforts must now focus on ensuring the full and consistent exercise of that right in all fields of international co-operation.

37. Those were the essential foundations of the policy and world-wide movement of non-alignment, whose vitality had been clearly demonstrated at the Fourth Conference of Heads of State or Government of Non-Aligned Countries, held in 1973. The General Assembly at its last regular session had endorsed most of the initiatives and recommendations of that Conference in the sphere of economic co-operation and, at its special session, had taken a major stride towards more equitable forms of international co-operation.

38. The *World Economic Survey, 1973* (E/5486, E/5521 and Add.1-3) showed that the period under consideration had been one of the most turbulent in recent economic history. The acute and long-term problems of the developing countries were worsening still further in a system in which it was impossible to solve even the problems plaguing the developed countries. Inflation, which was assuming alarming proportions, afflicted the developing countries in particular. People in many parts of the world, and particularly in the Sudano-Sahelian region and Ethiopia, were suffering hunger, while environmental problems everywhere were growing more acute.

39. In those circumstances, record growths in world production and trade did not inspire confidence. The *Survey* in fact pointed to a tendency towards deceleration in the expansion of the industrial production of the developing countries. With regard to export prices, it was not sufficient to review only a three-year period and global movements. The documents submitted by the Secretary-General to the sixth special session showed that from 1953 to 1973 the prices of primary commodities exported mainly by developing countries had risen less than those exported mainly by developed countries, and that the rise in the average of all primary commodity prices had been only slightly below the increase in the unit value of exports of manufactured goods, so that the average terms of trade between primary commodity prices and manufactured goods had been virtually unchanged in the last quarter of 1973 compared with the average for 1950.

40. It was therefore clearly impossible to speak of an improvement in the terms of trade for developing countries and even more impossible to speak of any lasting prospects in that respect. Not only had there been no increase in recent years in the prices of many of the raw materials exported by developing countries but the latest information showed that some of them had declined. Even where increases had been registered there were already oscillations which threatened a decline.

41. His delegation was concerned about some attempts to use the results of actions justifiably taken by developing countries to recover their own natural resources as an excuse for relegating the fundamental problems of development to the background.

42. The report of CDP on its tenth session (E/5478) showed that there was no coherent reason to justify a weakening of the role that the developed countries should play in the field of trade and aid policies for development, that the short-term dislocation of balance-of-payments positions of the developed countries had not altered the distribution of wealth in favour of developing countries in any fundamental way and that it should not therefore be used as an argument for relenting on international commitments in the flow of assistance to the developing countries. The crisis situation could be overcome only by relying on policies that recognized the reality of interdependence, and not if problems were viewed as matters of unilateral assistance rather than as the common problems of the entire international community.

43. The Declaration and the Programme of Action had been inspired by that kind of approach and only by implementing them would it be possible to achieve durable solutions and radically change the existing situation and the unsatisfactory current trends. It was the Council's responsibility to find its place and role in the performance of the task on the basis of the terms of reference given to it by the General Assembly at the special session. Its primary task at its present session was to secure the implementation of the decisions taken at that special session.

44. It was important not to lose sight of the fact that, in addition to their important economic-technical aspects, all the problems to be dealt with were part of the entire complex of efforts to establish a new economic order and consequently had an even more significant political component. Many positive decisions taken in the past had been lost in the maze of so-called technical discussions and portrayed as inadequate because they had been measured on the basis of the very criteria it had been desired to change.

45. In facing the task of establishing a new system, the Council should organize the work of the entire United Nations machinery in such a way as to prevent a repetition of that situation. It was no doubt precisely for that reason that the special session had decided that, with a view to implementing its decisions, the Council might be convened as necessary in special sessions or, if necessary, might function continuously. The executive bodies of many regional and sub-regional organizations outside the United Nations system had found that the desired changes made it imperative for them to meet at a high political level. The same practice should be applied to the United Nations.

46. It would be impossible to build a new international economic order without the full political will of all Member States to assign a high priority to it in their national policies and to devote the necessary energy and time to it. It was essential that the policies and measures initiated and carried out in organizations outside the United Nations should be consistent with those adopted by the General Assembly.

47. The decisions taken at the sixth special session could not be implemented through action in the United Nations alone. Many of them were capable of being implemented immediately and directly by Member States within the framework of their domestic policies. That essential part of

the implementation process should also find its rightful place in the reports to be considered by the Council and an appropriate procedure should be established for the purpose.

48. The General Assembly and the Council should to a greater extent influence and guide the work of all the United Nations bodies engaged in the economic field, including the specialized agencies. Once the special session had decided to work urgently for the establishment of the new economic order, the General Assembly and the Council should become deeply involved in the action, examining, for instance, the problems that had arisen in negotiations to reform the international monetary and trade system. It was difficult to see how a new system could be established if, in such an essential sector as international trade, the multi-lateral trade negotiations initiated had not yet really begun. It was impossible to achieve a lasting reform of the monetary system when the negotiations carried out so far had produced only partial measures which failed adequately to reflect the interests of the developing countries.

49. The Declaration adopted at the special session stated in effect that the interests of the developed countries and those of the developing countries could no longer be isolated from each other and that the prosperity of the international community as a whole depended upon the prosperity of its constituent parts. It was now necessary to face the consequences of those facts. It should become customary for the Council and other important United Nations forums, especially the General Assembly, to draw attention in good time to all conduct which was inconsistent with the proclaimed policies and objectives of the United Nations. His delegation was concerned about a certain tendency to adopt, in one instance, decisions to work for the establishment of the new system and to ignore that common obligation in another. All the activities pursued by Governments jointly or individually within the framework of different organizations should be in line with the spirit and goals of the United Nations.

50. The Council should perform its role whenever international economic relations were threatened by great difficulties or crises. Just as the special session had been convened to deal with economic problems, the Council should be convened whenever problems seriously affecting the entire international community arose. The United Nations should assert itself in that sphere along lines similar to those in political relations.

51. In the light of all those considerations, his delegation considered that the concept of collective economic security should be developed and applied consistently as an element of growing importance in the establishment of a new international economic order. In that connexion he emphasized the great significance of the Charter of Economic Rights and Duties of States.

52. His delegation attached particular significance of the Special Programme of measures in favour of the hardest-hit developing countries, in which context special account should be taken of the specific problems of the least developed and the land-locked developing countries. While some of the statements made in that connexion were

encouraging, the response to the appeal for assistance had so far not met the expectations expressed at the time of the adoption of the Special Programme.

53. At the special session the General Assembly had been unanimous in its view that the present situation of those countries was the outcome not only of the situation of the moment but also of the unequal and increasingly disadvantaged position of the developing countries in the world economy and the failure to solve the acute and long-range problems of development generally. It was therefore justifiable to expect all developed countries fully to meet their obligations under the Special Programme.

54. The world community had made far-reaching efforts to open up vistas of a world based on principles such as those in the Declaration and should not fail to find ways and means of helping to surmount the difficulties confronting the hardest-hit developing countries, which were certainly no exception to the reality of interdependence of all members of the world community.

55. Despite the fact that it was itself a developing country and that rising prices had caused it considerable hardship, Yugoslavia had decided to extend assistance within the limits of its possibilities. He welcomed the efforts which the Secretary-General had made so far in launching emergency operations and hoped that his action would meet with a greater response.

56. The tasks in respect of the preparations for the special session of the General Assembly scheduled for 1975 did not differ essentially from the tasks faced in implementing the Declaration and the Programme of Action. The Programme of Action rightly stated that all efforts should be so directed as to enable the 1975 special session to make its full contribution to the establishment of the new international economic order. That would ensure that the preparations for that session were linked with the process of reviewing the implementation of the decisions taken at the sixth special session. Those decisions were of particular significance for adjusting the International Development Strategy to new needs and circumstances. The Strategy had from the outset been founded on the principle of continuing efforts within a dynamic concept, but unfortunately it had not only failed to be developed and brought up to date but even the modest targets it had set had not been attained.

57. The results of the sixth special session, however, opened up favourable prospects not only for the implementation of the Strategy but also for its revitalization, to enable it to play its rightful role in international economic co-operation. The mid-term review and appraisal in 1975 would provide the best opportunity for that purpose; it was therefore essential for the Council to make the necessary preparations at the present session.

58. Developments had justified the decision to study the activities of the multinational corporations. His delegation supported the recommendation made by the Group of Eminent Persons in its report for the establishment, within the United Nations, of a body to control and regulate the operations of such corporations and to formulate an

international code of conduct for the purpose. The body concerned should be an intergovernmental body working with the assistance and support of experts. Multinational corporations should, in principle, be subject to the sovereignty of the countries in which they operated and all rules should be formulated on that basis. The corporations should not be permitted to become a dominant factor in the countries in which they operated, particularly in developing countries. Vested interests could not serve as a basis for regulating relations with multinational corporations. International action should be directed to assisting developing countries to eliminate the negative activities of multinational corporations, which disregarded national priorities and problems, extracted ever larger profits and interfered in the internal affairs of those countries.

59. After a long period during which the Council had not been ready to adopt and implement the decisions which the present state of international economic relations called for, the time had come for it to meet the challenge and fulfil the role assigned to it by the United Nations Charter. The reestablishment of a new international economic order was an undertaking without precedent in the history of the United Nations and the Council could and should assume the greater part of the responsibility in the process.

60. Mr. GARDINER (Executive Secretary, Economic Commission for Africa) said that African States were facing an unusually serious combination of economic problems. Although there had been substantial gains in export earnings in 1973 owing to high growth rates in developed countries, the over-all economic activity in a number of African countries had been adversely affected by drought conditions. Furthermore, it was likely that inflation and high petroleum prices would bring about low growth rates in the developed countries in 1974.

61. There had been considerable changes in the exchange rates of African currencies during the period under review as speculative pressures had built up in the developed countries; those pressures had also largely contributed to the increases in commodity prices which had occurred up to May 1974. The important question was on what level commodity prices would eventually stabilize. Provisional estimates showed that exports from developing Africa had increased in 1973 by 31 per cent, of which about 17 per cent had been due to price rises and to the fact that most African currencies had appreciated against the dollar in 1973. The balance of trade had in fact shifted slightly against African developing countries owing to a still larger rise in import prices: the dollar value of imports between 1972 and 1973 had increased by 18 per cent without any significant increase in the volume of imports. Large increases over the 1972 figures had been recorded in the export prices of sisal, rubber, cocoa, copper, cotton and zinc. Crude petroleum prices had almost quadrupled by the end of 1973. On the other hand, the price of coffee had increased more slowly and a good deal of sugar had been sold at more stable prices under sub-subsidy agreements.

62. The growth rates of GDP in the region in 1973 had varied considerably from a fall in the growth rates for five countries to an increase of over 9 per cent in four other countries. The growth rate for developing Africa as a whole,

at constant prices, had been estimated at 4.5 per cent for 1973 and, for the period 1971 to 1973, the first three years of the Second United Nations Development Decade, at 4.6 per cent, compared with the target growth rate of 6 per cent. For agriculture and associated activities the growth rate was estimated to be only 1 per cent – a fact which limited the over-all growth rate of the economy of developing Africa, although growth rates of between 4 and 6 per cent had been recorded in other economic sectors.

63. African social development, like African economic development in general, was hampered by inadequate resources. Most effort was concentrated on the urban sector, which had been growing at over 5 per cent per year, while the rural sector, which accounted for more than 70 per cent of Africa's population, remained neglected until crisis conditions arose. A number of countries were reviewing their educational systems in order to make them more relevant to their economic and social needs and to spread educational facilities to rural areas. Several countries had invited the ILO to help in formulating policies to deal with increasing unemployment, particularly among school-leavers and migrants to the urban areas. The problems of unemployment were forcing member States to recognize the need for various structural changes. A particularly serious factor affecting social and political harmony was the fact that the consumer price index had risen in a number of countries by as much as 9 per cent in the summer of 1973 and that food prices had risen even more sharply than the general price index.

64. By 1974, increases in the price of petroleum and products had begun to have harmful effects on all oil-importing countries. The major user in African States was the transport industry: increased transport costs would naturally affect domestic prices and the shipping costs of imports and exports, as well as the prices of imports, most of which came from the developed countries. There was little possibility of effecting short-term savings by switching sources of energy, although in the long term the position might greatly change. There was no doubt that the relatively cheap price of petroleum in the past had encouraged capital-intensive industries in developing countries and imports of non-essential goods. There were other less direct ways in which the higher petroleum prices were adversely affecting African economies: for example, the increase in the cost of air travel had begun to hit the tourist trade, and in agriculture the cost of fertilizers had risen substantially. On the assumption that the structure of imports would remain the same as in 1973, it was likely that petroleum imports would represent about 15 per cent by value of the total imports in 1974 as against 5 per cent for 1973. It was probable that the price of imports of basic foodstuffs would increase in 1974 to a similar extent. The least developed among the developing countries of Africa, which already had trade deficits in 1973, would be the hardest hit by the increased petroleum prices. It therefore seemed doubtful that the region as a whole would achieve anything like the growth target of 6 per cent set for the Second Development Decade.

65. The other serious problem facing the African region was that of drought conditions in the Sahara-Sahelian zone,

where the grain deficit was continuing to mount rapidly and about one sixth of the total cattle stock had been lost. The countries concerned were poor even by African standards since they had a limited production of minerals and there was little manufacturing industry or tourism except in Senegal. Any failure in rainfall made for a rapid transition from subsistence living to famine. Plans were under review to improve transport in the very large and sparsely populated Sahelian area by building a network of roads and two new rail links. There was also a large-scale reforestation project to prevent further encroachment by the Sahara. The problems of the Sahelian zone illustrated the difficulties of many African countries where rainfall was uncertain and population and livestock had increased considerably. Recent droughts in Northern Nigeria and Ethiopia as well as in the Sahelian area had given colour to the warnings that Africa might be facing ecological changes north of the 12th parallel. It would seem essential to build up buffer grain stocks against bad harvests and to institute a system of livestock management based on the capacity of the pastures.

66. It was evident that, in order to be effective, United Nations and international assistance required a multi-disciplinary and co-ordinated approach in all sectors. For that reason ECA had instituted joint working arrangements with the specialized agencies and other international bodies and had agreed with UNDP on special areas on which efforts were to be concentrated. The sixth special session of the General Assembly had shed new light on how the problems of the African region related to the new economic order. It was proposed to hold a discussion on that subject at the forthcoming session of the Commission's Committee with a view to re-arranging, if necessary, the Commission's programme of work.

67. Mr. MARAMIS (Executive Secretary, Economic Commission for Asia and the Far East) said that increased demand and production in the developed countries had helped to bring about higher growth rates than in the two previous years in most developing economies in the region. In particular, a number of countries had had relatively high growth rates in the manufacturing sector and agricultural conditions had returned to normal. On the other hand, there had been a decline of nearly 5 per cent in food production *per capita* in 1972 and the continued increase in population exacerbated the problems of unemployment and mass poverty in the region.

68. World-wide inflation had led to considerable domestic inflation in many countries of the region; in some countries, consumer prices of essential commodities and services had increased by more than 50 per cent since 1972 and by 25 per cent since the beginning of 1974. Increased prices for imports of consumer and capital goods and the danger of the developed countries taking deflationary measures which would affect the export industries of developing ECAFE countries, were having adverse effects on their balance of payments and their prospects of economic growth. Although raw material prices had increased in some cases, sharp fluctuations in commodity prices ran counter to the interest of most developing countries and the local processing of raw materials was still hampered by tariff and non-tariff barriers in many developed countries.



69. The ECAFE region had been seriously affected by the recent food crisis, particularly the poorest sectors of the poorer countries in the region. The price increases of petroleum products had affected the supply of fertilizers and some countries not endowed with such natural resources had been brought to the brink of catastrophe. The position underlined the importance of making the best use of natural resources on a world-wide basis.

70. Apart from the specific problems raised by the current crisis, there remained the basic development problem that economic growth did not in itself ensure full employment or satisfactory living conditions. It was difficult for ECAFE to identify common problems or formulate a common policy owing to the very wide differences in natural resources and economic development between the various member States. It had been recognized that the Commission must constantly reassess its role in the light of changing circumstance and must not spread its resources too thinly. At the twenty-ninth session, held in 1973, the Commission had requested the Executive Secretary to review ECAFE's activities with a view to enhancing their effectiveness. The measures taken to that end were referred to in the Commission's annual report (E/5469); they had been endorsed at the recent (thirtieth) session held at Colombo.

71. At that session the participants had adopted the Colombo Declaration (resolution 140 (XXX)), which defined the region's priority areas as those relating to food, energy, raw materials and external financial resources. To solve those problems, there was need both for an integrated approach on the part of the region and for concerted action by the international community. The Commission had

adopted resolution 146 (XXX) requesting assistance with regard to the balance of payments and long-term developmental requirements from IMF, IBRD and developed and affluent or exporting countries, as also resolutions on other pressing problems which had been discussed at the sixth special session of the General Assembly. With regard to the establishment of the World Fertilizer Fund, which was the subject of Commission resolution 142 (XXX), he was in consultation with ECAFE member States and specialized agencies with a view to submitting specific proposals to the forthcoming World Food Conference.

72. The revision of the ECAFE programme had been largely directed towards determining priority areas for concerted efforts, rationalizing its conference structure and promoting an integrated and multidisciplinary approach to the major problems confronting the region. An important decision had been taken to collaborate closely with the specialized agencies and other organizations including research institutes both inside and outside the region. The changes demonstrated the Commission's ability to use UNDP and other resources for regional and sub-regional projects. A rapid decentralization to the Commission of all the projects within the region of which the United Nations was at present the executing agent was therefore fully warranted. Since the priority areas identified at the Colombo session were in general accord with the programmes outlined in the Programme of Action adopted at the sixth special session of the General Assembly, it would appear that the activities of the regional commissions would make a major contribution to the successful implementation of that Programme.

*The meeting rose at 12.30 p.m.*

## 1906th meeting

Monday, 8 July 1974, at 3.15 p.m.

*President:* Mr. A. KARHILO (Finland)

E/SR.1906

### AGENDA ITEM 3

**General discussion of international economic and social policy, including regional and sectoral developments (continued) E/5479, E/5486, E/5490, E/5502, E/5517, E/5521 and Add.1-3, E/5532 and Corr.1)**

1. Mr. ENNALS (United Kingdom) explained his delegation's position on the following three major issues: the world economic situation, remedial action to be taken, and the sixth special session of the General Assembly. The world economic situation had very aptly been described as "turbulent" in the *World Economic Survey, 1973* (Part two, E/5521 and Add.1-3). The economic problems of the past three years were well known; increasing inflation in industrialized countries; the urgent need for international monetary reform, and, during 1972 and 1973, rapidly rising commodity prices. Not surprisingly therefore, there had

been a slackening of growth throughout the world in 1974. To add to all those difficulties, oil prices had quadrupled, with the result that there had been a deterioration in the terms of trade of both developed and developing consumer countries, cost inflation had been aggravated and the danger of world recession increased. The prospect therefore was one of "stagflation", or a depressed level of economic activity combined with increasing inflation.

2. The danger of recession was closely tied up with the question of recycling oil producer surpluses. In principle, so long as the new money which oil producers did not immediately require was released into the world economy, there should be no difficulty in maintaining the necessary level of demand. There was reason to think – as the representative of IMF had informed the Council (1902nd meeting) – that in 1974 the major oil producers would show a surplus of \$65,000 million, which they would seek