

67. At the world level, the economic crisis had given Latin America the opportunity to collaborate in international forums in bringing about a new order. Like the other developing countries, Latin American countries were conscious of the dangers inherent in the old system and the Charter of Economic Rights and Duties of States had been a Latin American initiative. A key element in a new international order would be the position of raw materials:

no international order would be lasting unless it was based upon just commodity prices agreed upon between the producers and the industrialized countries. He believed, however, that the present difficulties were capable of rapid and successful solution because all countries were now well aware of their interdependence.

The meeting rose at 12.55 p.m.

1904th meeting

Friday, 5 July 1974, at 3.20 p.m.

President: Mr. A. KARHILO (Finland)

E/SR.1904

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. DUMAS (France) reminded the Council that the General Assembly had entrusted it with the task of implementing the decisions taken at its sixth special session concerning the establishment of a new international economic order. The Council did not have much time before it to accomplish that task, and the context of crisis demanded rapid decisions. Furthermore the work had to be completed before the special session of the General Assembly due to be held in 1975.

2. With regard to the spirit which should inspire a new international economic order, his delegation had long been attached to three compelling concepts.

3. Firstly, the renovated international economic order should be the reflection of a new mentality, based on an objective knowledge of economic data as exact as modern methods of analysis made it possible to gather. All over the world, however, the economic concepts on which the adventure of development had been based, especially for the last 30 years, were undergoing profound change. The mere weight of the contemporary economy on a planet which henceforward permitted a foresight of its physical limitations should affect a great many viewpoints. Moreover, the demand for justice had irrevocably impressed itself on the world's conscience. In those circumstances, any retreat into self-sufficiency had become inconceivable; the persistence of inequality was now regarded as dangerous; and the necessity had appeared of jointly controlling mankind's future so that it should not be the victim of catastrophic mistakes stemming from fate or accident.

4. The protection of the common good, more and more closely identified with the simple survival of the human race, demanded a strengthening of international co-operation, while collective economic security called for a more

consistent structure. The Secretary-General's report on collective economic security (E/5529) was truly imbued with that spirit.

5. In the integrated concept of development which was that of the Council, no area of activity – the economy, social organization, science or culture – could be neglected.

6. The desire to strengthen international co-operation, however, should not lead to the obliteration of the second compelling concept, namely respect for national independence, a concept that was, moreover, one of the basic principles of the new international economic order. It was necessary to safeguard in all circumstances and for every nation the right to its inherent personality, its freedom to conclude political, economic and cultural alliances without let or hindrance and the possibility of forging its own destiny as it thought fit. The experience of the European Economic Community showed that that was not incompatible with co-operation.

7. That double attachment to independence and to organized interdependence was designed to replace the relationships based on force, which had prevailed hitherto, by relationships based on equality and justice among partners. With that aim in mind, it should be possible gradually to organize economic relations between countries so as to reduce to the minimum the part played in negotiations by inequalities based on power. To achieve that goal, it was necessary to increase the impact of the less fortunate by encouraging their development, especially in industry, and by facilitating the creation of regional groupings.

8. Lastly, the third compelling concept was that the new international economic order should be outward-looking enough, and lend itself in sufficient degree to continuous creation, as to be capable of flexible adaptation to all future developments; for by reason of the evolutionary process which mankind was at present undergoing, it would be necessary to control, perhaps for several decades, a continuing instability affecting to some extent all provinces of collective life. If that could be successfully ac-

complished, an order both dynamic and stable could be re-instituted; but it would take more time than remained before the next special session of the General Assembly to achieve that aim.

9. The establishment of a new international economic order would in any case run into many difficulties. The first stemmed from the existence of private transnational corporations, which by definition did not move in precisely the same orbit as any particular nation and which, because of their legal status, could not take part in discussions held between sovereign nations anxious to organize their mutual economic relationships. Furthermore, those firms pursued objectives distinct from those of nations, claiming a freedom of enterprise which was of course legitimate.

10. The existence and the momentum of production units not confined within the frontiers of a State were a necessity of present times. Such units had the power to combine the elements of production throughout the world in the most efficient manner, and they had at their disposal the techniques and capital necessary for the exploitation of such natural resources as were still available, thus making it difficult to replace them in the course of industrialization of small States.

11. Nevertheless, transnational corporations must not become concrete obstacles to the establishment of the proposed new economic order. It was therefore necessary to draw up codes of conduct for their guidance, which would make it possible to reconcile the principles of freedom, which were at the root of their activities, and the principles of organization, which were at the root of the activities of the United Nations. The report (E/5500/Add.1) of the Group of Eminent Persons which had investigated the impact of multinational corporations on the development process was therefore most timely, and it contained interesting suggestions.

12. Another difficulty lay in the transfer of financial resources to developing countries. It should not be forgotten that for geographical and other reasons a great many countries, both developed and developing, had not benefited in terms of bargaining power from the changes brought about by the economic events of recent months. The needs of those countries for financial aid remained considerable and still called for action by the entire international community, especially by those, whoever they might be, who now enjoyed the dividends of power.

13. His delegation believed that international co-operation must remain the concern of all. With regard to transfers of financial resources for development, international co-operation should comprise rights and duties fairly shared out, but it was not necessary that such sharing should be carried out exclusively in terms of recognized groups within the General Assembly. A new economic order could obviously not sanction a factual situation other than one which stemmed from the bond linking national independence with international responsibility.

14. Referring next to the way in which his delegation visualized, in formal terms, the provisions defining the new

international economic order and the manner of arriving at such definitions, he would put forward three suggestions.

15. Firstly, so far as the formal aspect of the Programme of Action on the Establishment of a New International Economic Order, adopted by the General Assembly at its sixth special session, was concerned, his delegation saw it as a rigorous intellectual construction based on the few major problems of to-day and on the solutions which could be envisaged. Less important problems and detailed solutions would not be left out of account, but they would appear only in a subsidiary position, as a consequence of the major problems. The Programme of Action was for the time being only a first draft of the projected construction.

16. The General Assembly had not been able for lack of time to assign precise tasks to the various organizations of the United Nations system. In particular, the paragraph relating to the Council's role in the draft Programme of Action (section IX, para. 3) was couched in very general terms.

17. To give any new international economic order a real chance of becoming fact, two conditions had to be met. On the one hand all the competent organs of the United Nations system must tackle the problems which concerned them in order to provide the Council with information on the realities to which common action had to be applied and with technical opinions on the measures to be adopted. On the other hand such information and advice must have been discussed in the governmental councils to which those organs were responsible. Those two conditions had to be met so that the reports prepared by the agencies really represented the intellectual contribution necessary to give full impact to the action undertaken.

18. In the second place the Council already had available a considerable volume of material prepared in recent years, or in the course of preparation, by the international community. In that connexion the International Development Strategy for the Second United Nations Development Decade and the Charter of Economic Rights of States could be cited in particular. The very notion of a new international economic order implied a strategy for giving it reality. That strategy already existed and had been the subject of a first review and appraisal in 1973. Early arrangements for a second review in 1975 had been placed before the Council. That review should lead to a revised strategy which would take account of both the decisions of the sixth special session of the General Assembly and changes in the economic data on which the original Strategy had been based. Thus revised, the Strategy would provide all the builders of the international community with blueprints of the new international economic order to be constructed, while the Charter of Economic Rights and Duties of States defined the ethics of international economic relations.

19. In addition to the two general texts just mentioned, there were several programmes of action, including the World Employment Programme, the Action Plan for the Human Environment, the World Plan of Action for the Application of Science and Technology to Development and the World Population Plan of Action. It was to be

hoped that the World Food Conference and the Second General Conference of UNIDO would also be making their contribution.

20. Thirdly, priority must be given to crucial problems on the solution of which depended the likelihood of a new international economic order. Those problems were two-fold in essence, and in fact partly interconnected: the organization of commodity markets, especially that of energy resources; and international financial relations. The latter theme was being dealt with by the competent institutions, and it was to be hoped that the arrangements which were now under consideration would prove commensurate with the issues to be resolved.

21. The problem of market organization, on the other hand, called for decisions by the Council. He would revert later to the draft resolutions submitted by his Government on that subject (E/L.1599, draft resolutions I and II).

22. Next, speaking as the representative of the President of the Council of Ministers of EEC, which was the entity most closely integrated in the international exchange system, said that the Community had been most directly affected by the current deterioration in the economic and monetary situation and, more than any other body, was aware of the danger to the international economic order of inflationary pressures and the deterioration in balances of payment. Those problems struck not only at the Community and its member States but at all the countries of the world, and they called for solutions at the world level.

23. Consequently, the convening of a special session of the General Assembly at the instigation of the Algerian Government had seemed to the nine Governments of the Community to be particularly appropriate. Following upon that special session, it seemed to them important to underline two of its results: the realization, at the political level, of the gravity of the situation; and the need to overcome the crisis in international economic relations in a spirit of solidarity between all States.

24. In the Community's view, the collective effort which the Council was called upon to prepare at its current session must, in particular, be directed towards three complementary objectives.

25. First, the process of inflation which was rampant at the world level must be checked and at the same time an economic recession prevented by maintaining or restoring equilibrium in balances of payments. Broadly speaking every State must itself make the first move by adapting its national economic policy to the requirements of the situation. States members of the Community would endeavour, for their part, to conduct such action in a framework of closest possible co-ordination of their economic and monetary policies. But national or regional efforts must be accompanied by increased co-operation at the world level.

26. In particular, the various States must avoid having recourse to restrictive trade measures which, though erroneously giving the impression of alleviating specific situations in the short term, were liable to lead to a cumulative process which would ultimately prove harmful

to all countries, rich or poor. For that reason, the Community particularly welcomed the Declaration adopted on 30 May 1974 by the Governments of OECD member countries¹ and the Declaration elaborated at the recent ministerial meeting of the Committee of Twenty of IMF.² Those declarations gave welcome proof of the political will of the signatories to maintain the present degree of liberalization of international exchanges, in the interests of all.

27. It followed that the Community was interested not only in current economic problems but also in the long-term efforts conducted within the United Nations with a view to an international economic system which would be accepted as just and equitable by all the countries concerned. That prospect gave a powerful incentive to the promotion of international co-operation, even in the short term.

28. With regard to the second category of problems, efforts to improve the international economic system should be focused in the first place on the raw materials problem.

29. The question of the stabilization and expansion of raw materials exports had continued to be of the utmost importance. The Community would not flinch from a readjustment of raw material prices, which should be remunerative for producers and equitable for consumers. But that did not exhaust the problem. As recent developments had shown, it was in the interest of all – developing and developed countries, producing countries and consumers – that policies should be defined which, viewed in the longer term, would ensure the utilization of the available resources in conditions which were both rational and equitable. In particular, the diversification of the economy of the producing countries was a development to be encouraged while consumer countries, developed or developing, must be assured of security of supplies on normal terms. The policies to be defined would not ignore market forces to operate correctly, thereby procuring mutual advantages for all the countries concerned.

30. The Community considered that the Council was the appropriate forum for an exchange of ideas from which the major trends of the solutions sought would emerge. Those solutions would be implemented as effectively as possible through negotiations, in particular those already planned within the framework of GATT. In that connexion, he recalled the principles of the Tokyo Declaration. Within those terms, negotiations relating both to conditions of access to the markets of developed countries and to the conditions of raw materials supply would open up favourable prospects for the application of equitable and mutually advantageous solutions.

31. The third element in the Community's policy on the problems under discussion was the continuance and improvement of the efforts made under the heading of

¹ For the text, see OECD Press Release of 30 May 1974.

² For the text, see IMF Press Release No. 74/32 of 13 June 1974.

development assistance. The representative of the Commission of the European Communities would himself speak on that point in due course.

32. Speaking once again as the representative of France, he reverted to the two draft resolutions submitted by his Government, one of which concerned the establishment of a temporary committee of limited size to prepare the documentation on market organization, in the very first place for energy resources, while the other related to the establishment of a central economic observatory having the task of publishing objective information on prices, production, consumption and stocks of raw materials.

33. In submitting those two texts, his country had been motivated by the fact that the impulse which had led to the idea of establishing a new international economic order had arisen from the disturbances in the energy resources market and, more generally, in the natural resources market, which, in view of their effect on the daily life of peoples, had to be brought under control without delay. But the control of such a complex situation called for recourse to the most tried principles of effective action. Sound decisions depended on sound information, and a collective decision must be prepared by more than one party.

34. The proposed economic observatory met the first of those principles. So far, for strategic reasons, negotiations relating to commodity markets had been marked by an understandable reluctance to divulge information. Organizing those markets through negotiations between States implied the availability of widely-accessible information providing a transparent view of those markets at any given moment.

35. The proposed temporary committee of limited size answered the second principle of effective action. Such a body would ensure the pursuit of the discussions initiated at the sixth special session of the General Assembly on the subject of raw materials and, in particular, would open a dialogue between producers and consumers of resources with a view to taking vital decisions concerning the distribution of energy in the world.

36. His delegation would welcome any suggestions and amendments aimed at improving its proposed texts or at clarifying any relationship between them and the two other draft resolutions submitted by the Governments of Saudi Arabia and the United States of America (E/L.1599, draft resolutions IV and II respectively).

37. His delegation was in favour of inaugurating a new international economic order which would satisfy the traditional French ideals of liberty, equality and fraternity, together with the ideal of justice. Its position was based on an analysis of the current world situation. A sense of gravity arose from the discovery of a kind of threshold which the human community must cross if it wished to retain its dynamism. What was required of all nations was a renewal which went deeper than leaders and public opinion were yet prepared to accept. The definition and implementation of a new, international, dynamic economic order therefore called for an all-embracing effort of organized wills. His delegation accordingly welcomed the contribution

which was to be made in the Council in a few days' time by the representative of IAFP.

38. The frontiers of our planet were already visible. The pursuit of dynamism through the conquest of new lands and foreign adventure was no longer possible. Henceforth, adventure lay inwards. To ensure that the planet had a future, conquest must be replaced by an upsurge of organization. That was how his delegation visualized a new international economic order guaranteed by the United Nations.

39. To be sure, organization was not as soul-stirring as conquest with all its share of risk, but also of hope. Nevertheless he was deeply convinced that the immense and complex effort to be undertaken must lead to results which would arouse fresh hopes in all peoples.

40. Mr. NESTERENKO (Union of Soviet Socialist Republics) said that he too deplored the present economic situation, marked by a series of crises in finance, in food supplies and especially in energy, which had had the effect of disrupting economic relations between nations and of holding back the favourable evolution which had come about in political relations. No effort should be spared to avoid a halting of the process of *détente* which had at last begun, to prevent the collapse of the possibility, which seemed to be within reach, of translating into fact the principles of peaceful co-existence between countries with different political and economic systems and of developing economic, scientific and technical co-operation at the international level. The political climate had notably improved in Europe and distinct progress had been made, especially at the level of bilateral exchanges. It still remained to lay a firmer foundation for stable, mutually advantageous relations between European countries, and for that purpose to solve the problem of armaments in central Europe, as was the object of the talks now going on in Vienna between the countries of the Warsaw Pact and of the North Atlantic Treaty Organization.

41. The positive results which had emerged from the recent conversations between the Heads of State of the United States of America and the USSR represented a decisive step towards an understanding which would further the interests of those two great countries and of the whole world, as had been pointed out by Mr. Brezhnev, who had said he would leave nothing undone that might help to establish stable peace between those two great countries. The Peace Programme which was one of the themes of the twenty-fourth Congress of the Communist Party of the Soviet Union also had peace as its objective, and recommended a political line of action which could be described as a "peaceful attack". The Policy Advisory Committee of the members of the Warsaw Pact had for its part stressed the need to relieve existing tensions in the world and had declared itself in favour of equitable economic co-operation based on respect for the sovereign rights of States, the principle of State sovereignty over natural resources, the principle of the most-favoured-nation clause and the will to achieve rapid economic development for the developing countries and to abolish the aftermath of imperialist policy.

42. The United Nations must measure up to the task laid upon it by the Charter, to promote peace and co-operation between nations, and to work for social progress in the world. The last point in particular was one of the topics of current discussion in the Council, which was seeking a way of attenuating the social repercussions of changes in the economic situation. For the practical impact of those changes was an increase in the number of unemployed and the consequent aggravation of social conflicts. Recent economic events were causing a general slowing down in economic and social progress, but their effects were particularly harmful for the least developed countries. The rise in commodity prices had failed to improve the situation of the developing countries, since fluctuations in exchange rates and inflation, by increasing the cost of manufactured goods, had wiped out the profits those countries drew from the sale of their raw materials. As the developing countries were mainly suppliers of raw materials and agricultural products, the gap between them and the industrialized countries was growing wider, and their peoples were unable to share in the fruits of the scientific and technical revolution of recent years.

43. His delegation had often had occasion to make known its position of principle on those matters. That position was precisely reflected in Mr. Gromyko's statement (2210th plenary meeting) at the General Assembly's sixth special session on commodities. The latter had stressed in particular the need for all nations to unite their efforts to work out a policy for action to solve the problems which had come to maturity. Starting from that standpoint, his delegation considered that the Council, in approaching the study of the matters within its competence, should draw inspiration from the following principles.

44. First, economic and social progress was inseparable from the maintenance of peace and security in the world. The absence of peaceful co-existence between States with different systems made it impossible to solve the problems on which the future of mankind depended. It was essential that all States should make a positive contribution to the launching of an irreversible movement towards *détente*. To that end, measures should be agreed to ensure full and general disarmament, especially in the nuclear field, and, as the General Assembly had proposed at its twenty-eighth session (resolution 3093 (XXVIII)), to reduce the military budgets of the permanent members of the Security Council and devote the major part of the savings to helping the developing countries.

45. Secondly, international policy for peace should be based on broadening the relations between States in scientific, economic, social and cultural matters, with due respect to the principles of equality of rights and non-interference. Trade in particular should be regulated according to such principles, which would rule out any discrimination and provide for a more precise definition of the most-favoured-nation clause, while allowing some exceptions for developing countries.

46. Thirdly, the developing countries should be enabled to participate fully and equally in world trade, and that would not be possible until they enjoyed genuine economic independence and the standard of living of their peoples

had been raised. The achievement of those objectives would be facilitated by the adoption of measures of reform, by the intensification of economic development, especially through industrialization, by the implementation of the principles of planned economy, by closer attention to national budgets so as to provide for the better distribution of resources, and by stricter regulation of the activities of companies operating on international capital.

47. Fourthly, in order to ensure the advancement of the developing countries, action must be taken against the monopolies which, by pursuing a policy of individual profit, created an obstacle to the developing countries' economic independence by perpetuating conditions of exploitation and colonialism. Those countries must be in a position to control the activities of monopolies which had a stranglehold on the key sectors of their economies and which, by exporting their profits to their countries of origin, reduced the developing countries' resources to a corresponding extent.

48. The reform of economic policy must also cover the abolition of the relics of colonialism, and the United Nations Declaration on the Granting of Independence to Colonial Countries and Peoples should be translated into fact. The campaign for decolonization and against imperialism was thus an essential condition of progress, and that campaign had to be waged with energy and determination, for experience proved that appeals to noble sentiments never took effect.

49. Fifthly, the activity of multinational companies constituted a factor of disruption in the world economic order. It was especially harmful to the developing countries, threatening their sovereignty and their national independence, taking away from them control of their resources, undermining their development programmes, slowing down their economic and social life and putting their balance of payments at risk. The developing countries must have the right to enforce nationalization of the companies that infringed the principle of national sovereignty over national resources; they must be in a position to control the activities of international capital.

50. His delegation believed that the example of the socialist countries could be followed; their social structure was such as to eliminate the exploitation of one class by another, to put an end to unemployment and economic and inflationary crises, and to allow an appropriate international division of labour designed to ensure economic progress. The fundamental objective of production in those countries was to fulfil the aspirations of the peoples and to raise their standard of well-being. Within CMEA, relationships between countries were based on equal rights, voluntary membership and mutual co-operation, leading to equalization of the different countries' levels of economic development. The economic and social integration of the CMEA countries had been intensified since 1971, for the still greater benefit of all the member countries, whose output and incomes had substantially increased over that period. Mr. Brezhnev had pointed out at the last session of CMEA that international economic relations modelled on the economic relations built up within CMEA would contribute greatly to eliminating inequalities between na-

tions and would put an end to the unequal trade encouraged by colonialist policy.

51. The Soviet Union, whose economic progress had acquired new impetus in recent years, had increased its trade with the industrialized countries and had made various agreements, in particular with Japan, for the sale of coal and the purchase of industrial equipment, and with companies in Western Germany for building industrial plants. Scientific and economic co-operation agreements had been concluded with the United States of America during the President's visit to the USSR; those agreements were so framed as to benefit not only the States parties to them but also the world community as a whole.

52. The Soviet Union was continuing to co-operate with the developing countries and to offer them every assistance in the context of trade. In 1973, its trade with developing countries had increased by 40 per cent and the volume of co-operative action in scientific, technical and economic fields had also grown considerably. In many cases, the Soviet Union's economic co-operation with the developing countries had reached a stage where the inter-country economic relationship was of mutual benefit. Some long-term agreements had been made, in particular a ten-year co-operation treaty with Iran in 1972 and a fifteen-year treaty with India in 1973.

53. The Soviet Union attached great importance to the question of multilateral co-operation, which many United Nations organs were engaged in discussing. The implementation of the decisions taken at the sixth special session of the General Assembly could contribute to eliminating any inequalities, increasing the economic independence of the developing countries and putting an end to the aftermath of colonialism. For its part, the Soviet Union was ready to approve any measure based on those principles and to endeavour to help the developing countries affected by the current economic situation. The Soviet Union would participate in any undertaking likely to transform international economic relationships into an instrument for development.

54. Conscious of the developing countries' need to increase their mutual co-operation in order to work out joint programmes aimed, for instance, at developing their food, energy, hydraulic or forest resources, the Soviet Union was ready to provide technical assistance, helping them to prepare appropriate recommendations and economic plans, offering fellowships for the training of capable leaders and financing visits by their experts to the USSR to complete their training.

55. Consideration of the matters which he had outlined should not lead the Council to put aside other problems such as, for instance, that of economic and social co-operation between countries with different systems. The Council would also have to concern itself with matters of general interest such as inflation, the increase in prices and unemployment, approaching these problems on as wide a basis as possible so as to cover all countries, not forgetting that security and economic and social development could be guaranteed only if peaceful conditions and progress were assured everywhere in the world.

56. For its part, the Soviet Union intended, on the basis of the principles it had just set forth, to participate actively in the study of those matters, and in the search for constructive solutions.

57. Mrs. SIGURDSEN (Sweden) said that the adoption of the Declaration on the Establishment of a New International Economic Order had confirmed the trend towards an integrated approach to development: it was now clear that development must encompass all spheres of economic life: trade, monetary questions, transport, the transfer of technology, sovereignty over natural resources, control of transnational corporations. The rich countries must take account of that broader approach; Sweden, for its part, was currently making an integrated study of developing countries' demands and of the effects of its own economic policy on those countries.

58. In that context, if the United Nations system was to accomplish the task currently facing it, co-ordination within the system must be reviewed. Her delegation, for its part, would make every effort to enable the Council to reach tangible results in the matter at its current session.

59. The most immediate task in establishing a more just and equitable international economic order was to launch a short-term programme to assist those developing countries most seriously affected by the current economic crisis. That task must be carried out with the co-operation of all industrialized countries and other potential donors. The most seriously affected countries must receive assistance soon and on easy terms. The current level of development assistance was far below what would be reasonable in terms of both needs and capabilities. It was worth emphasizing the fact that if all developed countries reached the target for official development assistance laid down in the International Development Strategy, an additional \$10,000 to \$12,000 million would be made available to the poorer countries. That would make it possible not only to meet the most urgent needs but to make long-term investments. Sweden, for its part, would achieve the 0.7 per cent target in 1975. In order to assist countries in great need of additional resources, and in response to the Secretary-General's appeal, her Government had decided to increase its bilateral assistance by some \$20 million. That sum could be used to pay for immediate imports. Furthermore, her Government was prepared to act swiftly in regard to the Special Fund established under resolution 3202 (S-VI), should a solution commanding wide support be adopted by the United Nations.

60. Sweden had noted with particular satisfaction that the Programme of Action called for urgent and effective measures to ensure a more effective participation by developing countries — whether recipients or contributors — in the decision-making processes of IBRD, IDA and other international financial institutions. The developing countries must carry a substantially greater weight in multilateral assistance organizations. The volume and quality of official development assistance and the policies and procedures of multilateral institutions should not be considered exclusively in institutions dominated by the industrialized countries; such a course would obviously run

counter to the intentions and decisions of the special session.

61. The arrangements to be adopted for the Special Fund would mark a starting point in the process of restructuring the multilateral aid system. The organization, voting procedures and lending policies of the Fund must be consistent with the new guidelines adopted by the General Assembly. In organizing the Special Fund, important questions concerning the role of the developing countries in the decision-making process and in lending policies would have to be settled; that would provide a unique opportunity to review the whole multilateral aid system. At its current session, the Council should identify the problems arising in that respect and request that the special studies necessary for its future deliberations and those of the General Assembly be prepared.

62. Turning to the International Development Strategy, she wondered what opportunities there were for observing and measuring development. Statistical data gave very little information on the actual living conditions of populations. New and refined concepts must be elaborated to that end. Furthermore, the United Nations should improve and, if possible, quantify the social targets of the Strategy.

63. Unfortunately it was apparent that there were mechanisms in the process of development which generated poverty for the many while bringing increased prosperity to the few. When an economy based on subsistence agriculture was transformed into an economy of large-scale production in both agriculture and industry, wide segments of the population were affected; farmers were forced off their land into urban slums, nomads were driven into areas where they could not subsist, etc. High-yield grain varieties might cause the quality of the soil to deteriorate and thus threaten the very existence of future generations. Rapid industrialization might cause widespread unemployment among people subsisting on handicrafts. Confronted with such situations, the United Nations must identify the conflicts inherent in development and analyse the mechanisms which generated poverty.

64. In the same context, it must be emphasized that the activities of multinational corporations often undermined the efforts of developing countries to achieve economic independence, and frequently aggravated social problems and tensions within those countries. Those activities must therefore be brought into line with national and international objectives. The international trade union movement could play a useful role in that regard: it was essential that in its decisions on multinational corporations, the United Nations should take due account of that movement's ideas. At the national level, Governments should review their labour legislation with a view to abolishing provisions favouring multinational corporations.

65. The 1974 and 1975 special sessions of the General Assembly, the United Nations Conference on the Law of the Sea, the World Population Conference and the World Food Conference gave proof that the international community was determined to attack the problems of poverty, malnutrition and development. The international community must now take up a great challenge: failure would

cause a grave setback in peaceful international co-operation for development.

66. Mr. EKLUND (Director-General, International Atomic Energy Agency) said that he wished to highlight some of the information contained in the note by the Director-General of IAEA (E/5493), which itself brought up to date the information contained in the annual report of IAEA to the General Assembly.³ During the past year, the General Conference and the Board of Governors of IAEA had given special attention to three major questions: firstly, the question of ensuring adequate funds for the Agency's technical assistance programme; secondly, the response that IAEA should make to the new world energy situation; and thirdly, the steps IAEA should take to ensure that rigorous safety and environmental standards were applied during the expected rapid growth of the use of nuclear energy.

67. In addition, a conference of the parties to the Treaty of the Non-proliferation of Nuclear Weapons would be held at Geneva in 1975 in order to review progress in the implementation of the Treaty; preparations had already begun, and IAEA would be reporting on its work on safeguards and its role in fostering international collaboration on the peaceful uses of nuclear energy. In that connexion, he drew the attention of the Council to the report⁴ prepared in 1968 by a group of experts convened by the Secretary-General, which had estimated the annual cost of a modest nuclear force at \$170 million and of a small high-quality force at \$560 million (1968 values).

68. The target for voluntary contributions for the Agency's own technical assistance programme was now \$3 million and the Board of Governors had recommended a target of \$4.5 million for 1975. IAEA was now executing more than 100 UNDP projects, of which 15 were large-scale projects, as compared with 9 such in mid-1973. There were at present 104 member States of the Agency, the German Democratic Republic and Mongolia having become members during the past year. The Board of Governors had also recommended the admission of the Democratic People's Republic of Korea and Mauritius.

69. Describing developments in major programmes, he noted that the rise in crude oil prices had led to an increase in orders for nuclear power plants in almost all the major industrial countries. In the case of the developing countries, the situation had changed even more radically: nuclear power plants of one-third to one-quarter of the size of those now being built for the industrial countries might well become competitive in many developing countries.

70. In an endeavour to determine the scope of the potential market for nuclear power in the developing countries, IAEA, with the help of the World Bank and other organizations, had carried out a detailed survey in 14

³ A/9125 and Corr.1.

⁴ *Effects of the Possible Use of Nuclear Weapons and the Security and Economic Implications for States of the Acquisition and Further Development of These Weapons: report of the Secretary-General transmitting the study of his consultative groups* (United Nations publication, Sales No. E.68.IX.1), paras. 67 and 68.

developing countries in 1973. The results were now being brought up to date.

71. In 1973 also, IAEA had informed the Committee on Natural Resources of the Council that the world must take active steps to avoid a shortage of uranium during the next decade. It had been glad to note an increase in the number of large-scale projects for uranium prospecting which it was being called on to execute for UNDP. In addition, IAEA had been invited, in February 1973, to serve as the supply channel for the nuclear fuel for a power plant in a member State, namely Mexico. Since then, a second supply agreement of the same type had been concluded with Yugoslavia.

72. The expected growth of the use of nuclear power had sharpened the debate about its impact on the environment. In order to assist in solving the problems arising in that sphere, IAEA had expanded its safety and environmental protection activities, particularly in the areas of nuclear waste management, total environmental impact from nuclear power production and criteria for nuclear power plant safety and reliability, with a view to meeting increased requests for nuclear plant siting and safety missions. The Agency's expanded environmental programme was benefiting from special contributions from member States and from the Fund of UNEP.

73. Nuclear safety was a topical subject and there was a temptation to attach much importance to it. But the Agency wished to urge the organizations of the United Nations system in particular to consult it before publishing statements purporting to describe the potential environmental impact of nuclear energy. In addition, at the request of the parties to the 1973 International Convention on the Prevention of Pollution from Ships, IAEA was developing a definition of high-level radioactive wastes and drawing up procedures for dealing with wastes that could safely be dumped at sea.

74. As regards the role of nuclear science in food and agriculture and in water resources, the rate of increase in agricultural production during the past ten years in 42 developing countries had been smaller than the rate of population growth. The joint FAO/IAEA programme using nuclear science techniques in food and agriculture could not deeply affect that extremely serious situation immediately, but the Agency had received confirmation from the developing countries themselves of the importance which they attached to that programme and of the need to increase the funds available for it. Agriculture and water were closely linked and the United Nations agencies carrying out large-scale water resource projects were making increasing use of the Agency's services to conduct isotope hydrology studies which helped them to obtain information about ground water in arid regions. Almost 200 water resource experts from 45 countries had attended a symposium on the subject held at IAEA headquarters at Vienna in the spring of 1974.

75. Nuclear medicine was now well established and the Director-General of WHO and he himself were considering the transfer of certain responsibilities for routine applications from IAEA to other bodies. IAEA would continue to focus its work on matters of special interest to the

developing countries, on the new and more experimental medical uses of radioisotopes, and on new nuclear instruments and radiopharmaceuticals.

76. The computerized international nuclear information system now covered the whole field of nuclear science literature. The Agency expected that it would deal with some 65,000-70,000 items a year by the end of 1974, and that the period of rapid growth would then come to an end. The IAEA system had served as a model for a similar system which FAO, with the Agency's help, was establishing for agricultural science; the Agency was also working with UNESCO on the development of the UNISIST system.

77. As far as co-ordination with other international organizations was concerned, attention would have to be given to the proliferation of meetings on energy. It might also be timely to reaffirm the Agency's primary responsibility for questions relating to the impact of the peaceful uses of nuclear energy on the environment. In the energy sector, co-operation had been established between IAEA and IBRD: (IBRD had helped the Agency to carry out the market survey which he had already mentioned, and the Agency was assisting the Bank in its studies on the expanding role of nuclear power and its contribution to future energy supplies. Co-ordination of the Agency's activities with those of other international organizations was not posing any major problems. Essentially, the Agency had found that the relationship agreements that it had concluded with the United Nations and the specialized agencies, as well as the special arrangements such as the Joint FAO/IAEA Division that had been established on the basis of those agreements, provided a satisfactory basis for co-operation. For its part, the Agency would not seek any formal changes, but it wished to stress the need for direct working contacts and consultations, and for flexibility and readiness to experiment with new types of co-operation. Even the most explicit legal provisions could not prevent overlapping of activities, but a constructive approach could often resolve formal conflicts of competence which were written into the statutes and constitutions of many United Nations bodies and which could not be eliminated by a process of constitutional amendment. Priority should, however, continue to be given to the economic, social and technological problems that confronted all the organizations in the United Nations system.

78. Mr. CAVAGLIERI (Italy), noting that the fifty-seventh session of the Council closely followed the sixth special session of the General Assembly on the problems of development and raw materials, said that it was for the Council to tackle the problems of implementing the principles adopted by the General Assembly in order to strengthen the role of the United Nations system in the field of economic co-operation (cf. resolution 3202 (S-VI), section IX, para. 3). The appeal launched by the General Assembly for strenuous efforts of collaboration among States highlighted the serious difficulties of the world economy and indicated the way to overcome them. No temporary or local remedy would suffice.

79. The *World Economic Survey 1973*, in part two, chapters I-II (E/5521 and Add.1), gave a clear summary of the situation. A general state of uncertainty, ever-changing conditions in production and trade, a very high degree of

fluidity in the monetary field, a widespread lack of stability in all economic sectors where rising costs and inflation were affecting everybody directly or indirectly, appeared to be the main components of the picture. Clearly, that situation had not originated in a vacuum; it had resulted from the interplay of political, social and economic factors. The whole complex had come to the surface in a particularly dramatic way through the unprecedented increase during the previous 18 months of the prices of raw materials, in particular of food energy. The *Survey* placed in a clear light the repercussions of the rise in oil prices in relation to their size and their suddenness: the technical and financial role played by energy in the present day and age could not have been more clearly stressed in all its extent, nor the changes occurring in the position of the various States.

80. The dichotomy between industrialized and developing countries had practically lost its meaning in terms of resources available; at the present day, to be industrialized meant to be able to export technology and know-how. The real question at issue was the quantity and quality of the needs and resources of each country. The main problem of several developing countries was the utilization of their financial or natural resources, actual or potential, for the purpose of strengthening their economic infrastructures and production systems. In the long term, that dichotomy was bound to disappear; in the short term, however, there were still countries that could help the others to overcome their difficulties, as also countries that needed help. That was only one of the implications of those general principles of co-operation and interdependence among States which had been repeatedly stressed by the General Assembly as the main guidelines for any action aimed at improving the present situation.

81. The present trend towards a new economic system was rapidly emerging along certain well-determined lines, namely: the establishment of a set of general rules and criteria; the adoption of common views and methods for dealing with major problems; and the implementation of short-term measures to meet emergencies. All were now agreed that that new economic system could be established only at an increasingly broad international level and that concept had found its expression in the idea of collective economic security.

82. The last part of the report of the Secretary-General on collective economic security (E/5529) gave an example of how that concept could affect some of the most complex and vital problems of the present day. His delegation felt, for its part, that international action in the economic field would not necessarily entail the creation of specific institutional machinery; nevertheless, bringing up-to-date and streamlining the existing bodies was a necessary and logical prerequisite for enabling the United Nations system to keep pace with the rhythm of evolution.

83. Collective economic security could manifest itself through the establishment of rules. He cited several topical examples: the Charter of Economic Rights and Duties of States now under preparation thanks to the initiative of the President of Mexico; the Conference on the Law of the Sea currently meeting at Caracas; the formulation of codes of conduct which was being envisaged for an increasing

number of matters; the general trade negotiations within the framework of GATT, and the coming discussions at Bucharest and Rome on the population and the food problem. It remained true, however, that the main stress was to be laid on development problems, which were to be studied anew at the next special session of the General Assembly, in 1975.

84. Clearly, it was too early to expect results from, or make forecasts as to the sequel of, the sixth special session of the General Assembly. It was certain, however, that the new process set in motion by the Assembly had brought into light all the aspects of a world problem, the terms of which had undergone a dramatic change. One of the first consequences would be the adaptation of the International Development Strategy to the new realities: co-operation and interdependence were to be strengthened in all their forms. All the problems pertaining to development – trade, monetary reform, population, food, human settlements – had a common feature, namely, the dynamic nature of each situation and the need to consider the problems in an equally dynamic perspective. Thus, development should be regarded as an improvement in welfare, not the continued supply of means of subsistence to an expanding population. That of course called for a minutely detailed inventory of all the means and resources, available or potential, that could be used to promote development. Several initiatives had already been taken in the present and other fora; the Council was to consider the measures laid down in the draft resolutions transmitted to it in May by the General Assembly (E/L.1599).

85. There was one specific point which, in the opinion of his delegation, merited more detailed comment: he referred to multinational corporations. The report of the Group of Eminent Persons and the remarks of the Secretary-General (1900th meeting) certainly called for a study more thorough than the mere reading which was all the delegations had been able to permit themselves in the short time available to them. As indicated by the Secretary-General, the creation of international machinery in that field was a particularly delicate matter; on the other hand, the role played by international corporations in the economy of the present day could not be ignored or overlooked. Multinational corporations were a tool to be utilized and directed in order to draw from it all the benefits it could provide, and to prevent it from exercising a pernicious influence. Those corporations constituted an efficient vehicle of capital and technology. His delegation was studying the recommendations of the Group and those of the Secretary-General on the possible creation of international machinery. In his delegation's view, such machinery could only be a source of information and assistance, and should not in any way encroach on the exclusive responsibility of States in deciding their policies in regard to multinational corporations. It was for each Government to decide how it would avail itself of those economic instruments in the interests of mutual benefit.

86. Finally, he broached the subject of action in emergencies, still within the framework of collective economic security. The most recent case of intervention by States and international bodies in tragic situations had been the assistance brought to the drought-stricken regions of central

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