

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

to invest elsewhere. But the deficit countries would try to avoid taking on additional debt, and might try to improve their balance-of-payments position by restrictive measures. Short-term lending terms and the limited borrowing ability of certain countries would also put a brake on expansion and contribute to recession.

3. The second approach to the situation under survey was concerned with action to be taken to deal with the three sets of economic problems generated by the crisis. First, immediate steps must be taken to deal with the situation of those countries most affected by the extreme rise in the price of raw materials, especially oil. Secondly, consideration must be given to the effects the price rises would have on the world monetary system, and thirdly, attention must be paid to the whole complex of social and economic problems raised by the Declaration and the Programme of Action on the Establishment of a New International Economic Order, adopted by the General Assembly at its sixth special session.

4. All those problems were interrelated, the only difference between them being their relative degree of urgency. The Organization's task had been defined by the General Assembly at its sixth special session, at the close of which it had adopted emergency measures in favour of the countries most seriously affected by the recent economic crisis.

5. In that connexion, he expressed his Government's disappointment at the limited response of countries to the Secretary-General's appeal. The United Kingdom, which had serious economic problems, had, with its partners in EEC, specified the contribution it felt able to make. A sum of up to \$500 million was available from the Community for the measures in question, provided other countries assumed their share. It should be noted that the United Kingdom's aid programme was already heavily weighted in favour of the poorest countries and that 32 per cent of its bilateral assistance went to India, Bangladesh and Sri Lanka, the three countries whose economies were suffering the most severely from the crisis. The United Kingdom also contributed substantially to the IDA programme, which concentrated on the poorest countries.

6. The member States of EEC and certain other countries which had already put forward their proposals on emergency measures were now awaiting the reaction of other industrialized countries, and of the oil-producing countries whose revenues had been substantially increased. The United Kingdom had noted with satisfaction that some oil producers had expressed a willingness to make a contribution. The Community had not, of course, been the only body to act: the Committee of Twenty of IMF had made valuable progress in monetary reform and established machinery to continue its work. The Fund had also brought into operation what had come to be known as the "Witteveen" facility, under which it would be possible to provide short-term assistance to many developing countries facing balance-of-payments difficulties. The World Bank for its part had been seeking further borrowing sources. But the problems were far from being solved, and continued vigilance was required.

7. The third approach to the situation related to the sixth special session of the General Assembly, an historic debate the repercussions of which were being felt at the current session of the Council. The work of the special session must now be followed up and its results examined dispassionately. In the first place, it must be admitted that the new international economic order did not yet exist. What the United Nations had was an action programme which reflected the antagonisms of the past and the frustrations of the present more than a general agreement on an order of priorities for the future. Further, the Programme of Action had been adopted by consensus, which was not the same as universal approval.

8. At all events, the United Kingdom Government was resolved to work for the greater effectiveness and influence of the United Nations and its associated organizations. The sixth special session had given the United Nations an opportunity to play a central role in the current crisis and to co-ordinate international assistance.

9. Another encouraging factor for the future was the Charter of Economic Rights and Duties of States prepared on the initiative of President Echeverría of Mexico. The UNCTAD Working Group on the Charter, which had met in Mexico in June 1974, had adjourned after a constructive session.

10. The lesson to be drawn from the sixth special session of the General Assembly was that it was wrong to try to do too much too quickly. That lesson must be borne in mind when preparing for the twenty-ninth session of the General Assembly, the 1975 special session and the fourth session of the United Nations Conference on Trade and Development. His delegation proposed, therefore, that at its current session the Council should decide on an allocation of tasks between the agencies and organs of the United Nations, so that at its next spring session it would be able to make firm recommendations to the 1975 special session of the General Assembly on the issues that the Assembly could resolve and on those which should be considered at the fourth session of the Conference.

11. Another area in which the Council could play a key role and establish order in place of confusion was in the operations of multinational corporations. Only a few weeks previously, Mr. James Callaghan, United Kingdom Secretary of State, had spoken of the common interest of Governments in working out "rules that should control the behaviour" of such corporations. The Group of Eminent Persons convened by the Secretary-General to study the matter had prepared an interesting and constructive report on their impact on development and on international relations (E/5500/Add.1). It was true that some of its recommendations were more readily acceptable to some countries than to others, but his delegation hoped that the Council would welcome the Group's pragmatic and reasoned approach. It considered, for its part, that the establishment of a commission of experts under the Council's aegis might lead to wider knowledge and deeper understanding of the useful role such corporations could play within the economic structures laid down by individual States.

19. In conclusion, he summed up the situation. In the first place, after the sixth special session of the General

Assembly, the strength of the United Nations and its organs, beginning with the Economic and Social Council itself, must be renewed. Secondly, the recent crisis had clearly revealed the interdependence of States and the necessity to work together for collective economic security. Co-operation should also be visible outside the United Nations, between producer and consumer countries, for example. Thirdly, there seemed to be general recognition of the fact that growth at all costs was impossible and that a balance must be found between economic growth and a better distribution of wealth. Fourthly, existing problems would not be solved merely by changing organizational structures. If Governments had the will to make them work, international institutions could achieve far more. The year 1974 marked a turning point for the United Nations. It was the year of major conferences on population, food, and the law of the sea, the year of the special session on raw materials and development. The international community had reached agreement on the key problems; it now remained to set in train the work to solve those problems, and that was the role of the Council.

13. Mr. ENE (Romania), like other representatives, considered that the present session of the Council was of special significance in view of the critical phase through which the world economy was moving – a phase that would enable the maturity and efficiency of the United Nations system to be measured. The sixth special session of the General Assembly had placed the United Nations before a need for “real creativeness in its approach to economic and social affairs”, to use the Secretary-General’s words (1900th meeting). Those would be the main trends of his delegation’s statement.

14. The present economic crisis and the alarming state of relations between the industrialized and the developing countries were the result of a long policy of domination and economic exploitation, aggravated by the instability of the exchanges of raw materials and manufactured goods, price fluctuations and the speculative operations carried out by some multinational companies. The latest statistics showed a constant deterioration in the situation of more than two-thirds of mankind: during the 1953-1963 period, the differential between the highest and the lowest *per capita* GNP had increased by only \$750, but it had increased by more than \$2,200 in the eight following years (1963-1971).

15. In contrast with this gloomy picture, the consensus adopted by the General Assembly at its sixth special session had struck an encouraging note: it was now recognized that the interests of developed countries and those of developing countries could not be divorced, that there was a close link between the prosperity of developed countries and the growth of developing countries and that international co-operation for development was the common objective and duty of all countries. The 135 Member States had undertaken to take practical measures, bilaterally or within the framework of international organizations, to translate those principles into reality. They had solemnly proclaimed their common determination to work urgently for the establishment of a new international economic order founded on fair play, sovereign equality, interdependence, the common good, and co-operation between all States.

16. The task to which the Economic and Social Council was called upon to contribute within its area of competence could be summarized in those terms. The Programme of Action adopted at the special session of the General Assembly called for a strengthening of the role of the United Nations in international economic co-operation and for an undertaking by all Member States to utilize fully the opportunities offered by the system to implement that Programme. His country had welcomed with great satisfaction the appeal launched by the General Assembly and was convinced that a strengthening of the role of the United Nations and of its organizations would enable peace, security and progress in the world to be consolidated.

17. To carry out the task with which it had been entrusted, the Council should focus its attention on some fundamental features. First, the solution of the acute problems stemming from the differences in economic development between countries demanded in the first place the establishment of principles and guidelines to steer co-operation between States. Fundamental importance should therefore be attached to the definition, adoption and implementation of a whole set of new and universally valid principles which would guarantee equality of rights, respect for national independence and sovereignty, non-interference in the internal affairs of other countries, refraining from the use of force, and a search for mutual benefit in economic and financial relations between all countries. From those principles there followed the right for every nation to be the master of its wealth, raw materials and resources and to decide how to exploit them for the benefit of its own economic and social development so as to consolidate its independence and national sovereignty. Secondly, States lacking natural resources had the right, on a mutually advantageous basis, to benefit from the raw materials necessary for their development.

18. Faithful to the principles which he had just enumerated, his country welcomed the progress made in drafting the Charter of Economic Rights and Duties of States and hoped that at its next session the General Assembly would be in a position to adopt that important international document. The new trend which had appeared in international life should help to establish a fresh form of international economic relations, which in turn would greatly contribute to the consolidation of the international political atmosphere. It was obvious that the establishment of such relationships depended in the last resort on the political will of all States to promote in their relations those new and democratic principles which could ease co-operation in the search for solutions to all economic and social problems.

19. With regard to concrete action, his country stressed the need to eliminate all restrictions and artificial barriers now hampering international economic relations. It was in favour of adopting concrete measures designed to improve the terms of trade of developing countries, to broaden access by those countries to the markets of developed countries, to apply, improve and enlarge the system of generalized preferences in favour of developing countries in all parts of the world. Those were issues to be discussed at the next session of the United Nations Conference on Trade

and Development, as well as in future GATT multilateral trade negotiations.

20. In the context of a search for solutions to development problems, an efficient lever could be provided by wider access for all nations to the advances of modern science and technology. No country could hope to proceed on its own through all stages of development in fields where the assimilation of progress already achieved elsewhere and international co-operation were of special importance for all countries, whatever their level of development. The importance of that question in speeding up the economic development of developing countries had been emphasized in the *World Plan of Action for the Application of Science and Technology to Development*.¹

21. In that field, the United Nations and its organizations were called on to act more vigorously and more efficiently to stimulate international co-operation in science and technology. In that connexion, the convening of a United Nations conference on science and technology, an action which his country had consistently supported, would be an important event in the life of the United Nations. That conference would highlight the special role of science and technology as instruments of development, while at the same time providing the United Nations with new opportunities to increase its efficiency for the benefit of the economic and social progress of all peoples.

22. Next, it was urgent that all the machinery which the international organizations had at their disposal should be geared to implementing all the measures projected in the *World Plan of Action*, so as to lessen the difficulties of the developing countries, which were facing particularly critical situations. In the context of action on food supplies and agricultural production, in particular, special attention should be given to the drought-stricken African countries.

23. The reality of interdependence in the international community brought out the importance of the concept of collective economic security mentioned by the representative of Brazil (1901st meeting). In that connexion, his delegation was positive that a system of international relations guaranteeing each people the opportunity to develop in freedom, in accordance with its own wishes and interests, without being subjected to any acts of aggression, constraint or pressure, must include an economic component guaranteeing every country the opportunity to carry out its development programme free from any form of economic aggression or pressure or any economic disturbance originating abroad.

24. A policy of that kind was essential for economic security; the two things were mutually complementary and their interaction reciprocal. The political independence of a State could be assured and strengthened only if it was accompanied by independent economic development. To live in peace and security, a people must be able to rely on other countries' respecting not only its national personality, territorial integrity and political independence, but also its economic independence and its right to participate in

international economic co-operation activities. Collective economic security necessarily assumed, *inter alia*, that all States, whatever their size, their potential, their stage of development or their social and political system, could participate directly and on a footing of equality in the examination and solution of the principal international economic problems. It was essential that every State and every international organization, especially the economic organizations, should act according to those principles.

25. Every people should be permitted by its own labour to develop the material and human resources at its disposal. It was vital for every developing country, in particular, to orient its efforts and utilize its resources to develop its industry, its agriculture and other branches of its economy, to provide for the training of its managerial personnel, to make efficient use of its labour force and to create all the conditions necessary for growth in the productive capacity of its national assets.

26. Romania knew by experience that to solve the problem of development called for an effort by the whole nation and the mobilization of all its strength and energy. Romania's high rate of development, duly recorded in the *Economic Survey of Europe in 1973* (E/5479) had been achieved through the hard work of the whole Romanian nation, which in recent years had devoted more than a third of its national income to its economic and social development, so that it could emerge as quickly as possible from the stage of being a developing country and approach the developed countries' level.

27. Relationships of international co-operation in turn had their part to play in facilitating and supporting the national effort of every people towards progress and development. Bilateral co-operation agreements, for example, based on the new and democratic principles in inter-State relations, represented, for the countries taking part, a vital factor in social and economic progress.

28. The Romanian Government was contributing to the establishment of broad and equitable co-operation between States, for apart from the links it had with other socialist countries, it was developing relations with all other countries on the basis of equality and mutual respect. The President of the Socialist Republic of Romania had in recent years signed more than 25 treaties of friendship and co-operation or solemn joint declarations with States in Asia, Africa, Latin America, North America and Europe. The most recent of those documents was the Solemn Declaration signed with the President of the Arab Republic of Egypt. Other agreements on specific subjects constituted a firm foundation for mutually beneficial multilateral co-operation, opening up prospects for development and facilitating a relationship of friendship and co-operation between the Romanian people and the other peoples concerned.

29. With regard to the role in its implementation assigned by the Programme of Action to the Economic and Social Council, his delegation was convinced that the United Nations system had the capacity and the machinery to carry out that task. The key must be looked for in the orientation of each organization's activities towards

¹ United Nations publication, Sales No. E.71.II.A.18.

tackling the major problems of practical concern to all member States, with special attention to the needs of the developing countries and to the mobilization of States' human and material resources for supplementing the means of prompt and effective action at the organizations' disposal. In that connexion, an end to the arms race and the reduction of military budgets would release substantial resources which could be used to support the developing countries' own efforts and to promote the economic and social advancement of all the peoples of the world. Of course, successful progress along those lines implied that every country which considered itself concerned should be able to participate, on a basis of equality, in the identification and elaboration of objectives and new forms of activity, and that the decisions arrived at should take into consideration the interests of all.

30. In that context, Romania welcomed the progress the international organizations had already made towards universality. That progress would be helped by the big international discussions which were to take place at the World population Conference, the World Food Conference and the next special session of the General Assembly. There were also good prospects for more fruitful co-operation regionally. He had in mind especially the regional economic commissions, and particularly ECE, which he hoped would more and more respond to the new spirit of co-operation which was awakening in that region. It must be pointed out, however, that the occasional tendency in some organizations to talk about limiting the participation of member States in the taking of important decisions was not calculated to strengthen the international organizations' effectiveness. That was not how Romania visualized the institutional strengthening of the organizations of the United Nations system.

31. His delegation had been instructed by its Government to make a constructive contribution to every effort the Council might undertake towards the solution of world economic and social problems, in the interests of all countries, and of the developing countries in particular.

32. Mr. ROUGET (Federal Republic of Germany) expressed his delegation's appreciation of the new method adopted by the Council, that of concentrating on action-oriented items and the elaboration of forward-looking ideas and proposals instead of analysing the past.

33. His Government was a confirmed advocate of the social market economy, a system which had proved its value ever since the foundation of the Federal Republic of Germany and had the full support of its people. That policy had enabled his country to assume a leading role in the field of development policy, and his Government intended to continue its involvement and make its contribution to constructive international economic co-operation, being guided so far as possible by the resolutions adopted at the sixth special session of the General Assembly. That policy, however, also limited the Federal Republic's freedom of action, and he recalled in that connexion the discussion at the sixth special session on the question of producer cartels. The delegation of the Federal Republic had entered a reservation on that point; the economic system prevailing in his country in principle rejected cartels because they made

for dependencies and could be detrimental to unhampered trade.

34. In the present debate a number of specific questions would be considered, and an effort would be made to determine landmarks of importance to the work of the Council in the light of the decisions taken by the General Assembly at the sixth special session.

35. At its fifty-sixth session, the Council had decided to give priority to some specific subjects, including the concept of collective economic security, originally introduced by the representative of Brazil. Admittedly, it had not yet been possible to give a precise definition of that concept, but the Council should consider there and then how to tackle in practice the problems that would arise from its application.

36. In studying the concept of collective economic security more closely, account should be taken of the fact that greater integration between national economies increased their interdependence, so that economic decisions taken by one country had both positive and negative repercussions not only on its own economy but also on the economies of other countries. Integration also created problems and even conflicts of interests among partner States. That was an unavoidable consequence of economic integration, and it was in the interests of all to try to avoid such conflicts or, if necessary, find ways of resolving them.

37. Collective economic security offered a good basis in that respect. While not constituting a compact system of binding rules governing international economic relations, it served as a guideline for the work of the Council and its subsidiary bodies. The Governments of Member States, too, should heed that concept when taking decisions on economic matters.

38. As to the definition of the term, to say that economic security was "collective" was tantamount to accepting the interdependence of national economies, which meant that nations should act according to the principle that they were responsible not only for their own sphere but also for developments at the world level. That also meant that the assumption of responsibility and obligations applied to all countries and not to just a few, since in each case there had to be a proper balance between a nation's rights and its obligations.

39. In order to make collective economic security a reality, one of the essential tasks would be to reduce the growing gap which technological developments had made between the developed and the developing countries. In that respect it was important to improve and develop the partnership between developing and industrialized countries so that the international economic order would be capable of meeting both present and future demands.

40. In the new concept in question, the word "security" meant that any decision taken by a country affected the international community as a whole. The system set up was bound to be a dynamic one. As a matter of fact, there would already be a large measure of security for all countries if individual States were to recognize the inter-

dependence of national economies and allowed it to guide their economic, trade and development policies. Experience in the twentieth century had shown that a return to national economic policies was harmful to international trade. Security would be assured not by isolationism but by fruitful co-operation.

41. Discussions within the United Nations had produced the idea of giving the Council authority to take steps to resolve economic crises coming within the scope of collective economic security, a course which would tend to strengthen the preventive element in the Council's work. Consideration had been given in that connexion to the idea that the Council should become a permanent institution like the Security Council, in which case it could be called upon to meet at any time. It should be remembered, however, that economic crises did not arise overnight; the Council could therefore quite easily take emergency measures at its regular sessions. Moreover, the Council's rules of procedure enabled it to convene special sessions in cases of emergency. His Government therefore felt that no institutional consequences should be drawn from the concept of collective economic security.

42. So far as concerned the impact of multinational corporations on the development process and on international relations, his delegation was glad that the Group of Eminent Persons convened to study the matter had now submitted its report. His country had from the beginning played an active part in the study of such corporations' activities, and, as it was one of the main capital-exporting countries, it wished to participate in exchanges of views on the subject and thus to contribute to an objective international discussion leading to fruitful results.

43. Like the preliminary report² the new report examined at length the criticism that had been levelled at multinational corporations and which stemmed to some extent from a shortage of information; the information gap would have to be closed if the Council was to assess the corporations' activities fairly. That would be the principal task of the information and research centre which the Group proposed.

44. Those two reports showed, in addition, that there were a number of problems connected with the activities of multinational corporations which needed to be solved in both the industrialized and the developing countries. His Government would like the developing countries to receive fuller information and advice so that they could look after their own interests adequately in their relations with foreign investors. It would support United Nations efforts to ensure that multinational corporations revealed their business activities to a greater extent than in the past, particularly those in the third world, and that investments were made on the basis of partnership arrangements which could be fitted into the development plans of the countries concerned.

45. His Government had always kept an open mind on the subject of foreign investment, which it regarded as an

essential contribution to the international division of labour. It was encouraged in that attitude by the fact that the overwhelming majority of the developing countries were requesting it to continue to promote German investment.

46. Part III of the Group's report, containing the comments of individual members, had only now become available, so his Government was not yet in a position to make a final appraisal of the report. It could already, however, support the proposal that the Council, as an intergovernmental body, should discuss matters concerning the activities of multinational corporations every year; and also the recommendation that a commission on multinational corporations should be set up under the Council (E/500/Add.1 (part I), chap. III), although the question of the commission's membership required further consideration.

47. His Government also welcomed the Group's recommendation that host countries should elaborate clear guidelines for the activities of foreign investors. The lack of such provisions had in the past repeatedly created problems between the parties concerned. It was particularly important in that connexion that the Governments of host countries and of capital-providing countries should co-ordinate their policies, since conflicts in that field had frequently produced difficulties for foreign investors. In particular, in establishing the framework for private investment, Governments should give extremely clear directions.

48. The Group's report had revealed a growing trend to play down the importance of international law. Admittedly, every country had a sovereign right to determine economic policy in its own territory and to issue appropriate regulations. Nevertheless, it should not be forgotten that international law was the link between States and that every State had to observe the obligations deriving from it. Obviously, the foreign investor must observe the laws of the host country, and to that extent the Government of the sending country had no right to interfere in the host country's affairs; but it must be allowed that the sending State could continue protecting the interests of its nationals if they were receiving discriminatory treatment in the host country.

49. On the whole, the Group's report contained valuable conclusions and recommendations, and his Government hoped that they would be the subject of an objective discussion leading to fruitful results in the near future.

50. Referring to the Programme of Action on the Establishment of a New International Economic Order, he recalled the statement made on 1 May 1974 at the sixth special session of the General Assembly by the present Minister for Foreign Affairs (2229th plenary meeting) who had affirmed the Federal Republic's unreserved support for the initiative taken by the General Assembly to promote economic and social progress throughout the world and better standards of living for all peoples. His delegation's position had not changed: it would participate in the follow-up work for the Programme of Action. The special session of the General Assembly marked an important step in the history of the United Nations, for the resolutions adopted on that occasion outlined the work to be done in

² *Multinational Corporations in World Development* (United Nations publication, Sales No. E.73.II.A.11).

the future. The achievement of the targets set by the General Assembly placed upon the members of the Council a historic responsibility, opening the way to new paths and methods.

51. Although his delegation agreed with the aims of the resolutions in question it did not approve of all the means proposed for achieving them, and, like many other delegations, had made reservations on individual points of the Declaration and of the Programme of Action.

52. The interdependence of developing and industrialized countries required that the necessary reforms of the world economic system should be pursued by way of co-operation. In that connexion, he recalled the statement made at the sixth special session of the General Assembly by the former Minister for Foreign Affairs and present President of the Federal Republic of Germany (2209th plenary meeting).

53. The task entrusted to the Council by the General Assembly at its sixth special session was defined in section IX, paragraph 3, of the Programme of Action. In the past, the Council had often been criticized for not being sufficiently action-oriented. To avoid such criticism, it would have to concentrate on fixing priorities for the implementation of the Programme.

54. The aim of the Programme of Action was to improve the world economic order and to institute an economic balance between developing and developed countries. It would take time to achieve that aim, and first priority should be given to those tasks on the need for whose execution there had been full agreement at the special session. But the remaining substantive questions would also have to be considered, and he recalled in that connexion the reservations his delegation had made (2229th meeting) when the relevant draft resolutions were adopted.

55. His Government had noted with interest the Secretary-General's report on preparations for the mid-term review and appraisal of the International Development Strategy (E/5530 and Add.1). It had made known its views concerning those preparations in its reply to the Secretary-General's *note verbale* of 29 January 1974. His delegation did not intend to repeat what it had said in that reply, but the Secretary-General's report, which had been prepared on the basis of the replies from 13 Governments, called for a few supplementary comments.

56. His Government welcomed the preparations and plans made by the United Nations Secretariat to ensure the comprehensive and appropriate implementation of the mid-term review. It attached special importance to the greater involvement of United Nations institutions at the regional and sectoral levels referred to in the document. On the other hand, it felt that country-level participation would have to be considerably more intensive than during the first over-all review, carried out in 1973, if the mid-term review was to emerge as a balanced appraisal of progress achieved in developing and developed countries during the Second Development Decade. On the whole, his delegation supported the time-table proposed in the report. It also supported the proposal that the Committee on Review and

Appraisal should hold its third session in May/June 1975, with the first five or ten working days set aside for a general debate on the technical and empirical material before it.

57. With regard to the relationship between the International Development Strategy and the Programme of Action, the report rightly stated that the Programme largely reiterated – and often in the very same terms – the aims embodied in the Strategy. It also contained, however, a number of proposals which went beyond the Strategy.

58. The Programme of Action, in section IX, paragraph 8, recommended that the implementation of the Programme should be taken into account at the time of the mid-term review. In view of the large degree of congruence between the Strategy and the Programme of Action, it would be useful to include the review of the Programme's implementation in the mid-term review. That would be a concrete example of how the Council's work could be rationalized and duplication avoided – two points on which improvement had often been called for within the United Nations.

59. Mr. WINQWIST (International Chamber of Commerce), speaking at the invitation of the President, said that, when he had addressed the Economic and Social Council the previous year (1871st meeting), he had stressed that international economic relations were passing through a critical phase and had pointed out that the international business community expected Governments to take concerted action without delay to avoid a disruption of the multilateral system of payments and trade. The situation remained critical, however, and no real programme had been adopted by Governments to cope with it.

60. In the first place, most developed and developing countries were facing serious deficits in their balance of payments as a result of sharp increases in the prices of energy and raw materials. The long-term reform of the international payments system had been postponed and the measures adopted under the auspices of the Committee of Twenty of IMF were not sufficient to guarantee a regular flow of goods and capital in the near future or to combat rampant inflation. With regard to trade, some progress had been achieved; the Governments of the OECD countries had agreed to refrain for one year from taking any unilateral action to meet their balance of trade deficits, and EEC and the United States had come to terms on compensation for the trade effects of the Community's enlargement. On the other hand, some countries had had to slow down their imports, and the main GATT multilateral trade negotiations were unlikely to begin before the autumn of 1974.

61. As a result of those factors, the situation of most developing countries had seriously deteriorated, and their rate of development had been jeopardized. Unless Governments took effective measures to check inflation and put the international payments system on a sound and durable basis, they would have to face the extremely serious political and social consequences of the present disorder.

62. International business had submitted to Governments and intergovernmental organizations many technical suggestions on trade, money, energy and raw materials, and those

suggestions might serve as a basis for the framing of solutions acceptable to all concerned. Clearly, such measures would remain inoperative so long as Governments were not determined to support them with all the political power at their disposal and to adopt a programme of concerted action for their implementation. Indeed, the economic interdependence of nations was such that the major problems of to-day's world could be solved only through close co-operation among all Governments and between Governments and the business community, and there the international organizations, and the Economic and Social Council in particular, had an increasingly important part to play. The interdependence to which he referred was particularly apparent in the case of those among the developing countries which lacked the support of exports of oil or other commodities in great demand for financing their development, and hence should be able to tap all the sources of financing available to them. In view of the uncertainty of official aid, it was necessary to encourage the flow of private capital to the developing countries through concerted action by governmental organizations, Governments and the business community. The international business community feared, however, that the repeated criticisms of the activities of multinational corporations, which were, after all, the main source of foreign investment in the least developed countries, would strengthen the already existing reluctance of the business community to invest in those countries. In that connexion, he referred to the document containing ICC's views on the report of the Group of Eminent Persons on the role of multinational corporations.³

63. The business community considered that, instead of confining itself to the activities of multinational corporations in developing countries, the Group should have determined the over-all impact of the activities of those corporations. It was also to be noted that, in many cases, the Group's criticism of multinational corporations did not apply to those corporations as such, but to any form of industrial activity in foreign countries.

64. ICC nevertheless accepted the Group's proposal that a commission on multinational corporations should be established, and it was prepared to take part in any future action which the United Nations might decide to undertake along the lines of the Group's recommendations, for it was convinced that there would eventually be recognition of the fact that the multinational corporations and foreign investment in general contributed substantially to the harmonious economic growth of developing countries and to the transfer to those countries of technology and private capital.

65. He was of the opinion that, in that area, the United Nations should take into consideration the following three principles: first, information concerning the activities and policies of foreign investors should be based on realities and not on assumptions; second, a code of conduct of a non-mandatory nature – similar in many respects to the ICC guidelines for international investment – should recognize the principle of equitable relations between

investors and host countries; and, third, any commission on multinational corporations established under the authority of the Economic and Social Council could discharge its functions credibly only if it sought the assistance of members having first-hand knowledge of the working of corporations operating abroad.

66. It was necessary to broaden co-operation between the public and private sectors because only by concerted action could world-wide economic growth be achieved. ICC was increasingly dovetailing its own priorities with those of the United Nations and the agencies of the United Nations family, in order to promote even closer co-operation between intergovernmental organizations and the business community.

67. Mr. AL-ATTAR (Executive Secretary, Economic Commission for Western Asia), observing that he was addressing the Economic and Social Council for the first time, said he proposed to review recent developments in a region of the world for which the Council had set up a new institution the previous year – an institution which had been established as from 1 January 1974 and which had held its first session at Beirut early in June 1974.

68. In his inaugural speech at that session, the Secretary-General of the United Nations had emphasized the profound significance of the establishment of the ECWA. He had stressed the timeliness of that development now that, as a result of recent international economic and social events, certain countries in the region which had been thrust to the forefront of current events had to be recognized as protagonists to be reckoned with in efforts to improve the living conditions of millions of human beings and to introduce a greater degree of equity into international relations.

69. The spectacular change which had occurred in less than one year in the situation of many developing countries had led to a better understanding of the interdependence governing international economic relations as a whole, and the States of Western Asia, in particular, had already taken steps to give practical effect to the solidarity which such interdependence entailed.

70. One of the most notable aspects of that development had been a conceptual change complicating the traditional antithesis between the developing and the developed countries, the rich and the poor countries, that had been the prevailing pattern for some decades. That pattern no longer corresponded to the present situation in Western Asia, where the distribution of resources among States was characterized by marked and growing disparities between three groups of countries: a group of countries with earnings from petroleum, which had an unprecedented volume of resources at their disposal (an average *per capita* income of as much as \$3,000 in some countries) but which were still experiencing considerable development problems in mobilizing human resources and establishing modern institutions; at the other extreme, a second group of countries which were among the most disadvantaged of the developing countries (an average annual *per capita* income of less than \$100) and whose position had been exacerbated still further by recent developments in the prices of

³ ICC document No. 191/81.

raw materials, energy and capital equipment; between the two lay a middle group of States (average annual *per capita* income of \$400) which had no earnings from petroleum, but which had nevertheless succeeded in developing at a rate corresponding to the initial objectives of the Second Development Decade.

71. The gap between those three groups of countries was tending to widen, but the concept of interdependence and solidarity, which was being more and more clearly grasped, had recently produced, if not progress towards formal integration, at any rate a very appreciable growth in the transfer of resources from surplus to deficit countries, even if the volume and form of those transfers were not fully adequate and were not sufficiently development-oriented. However, the establishment of development agencies and funds in Kuwait and the Arab Emirates and the setting up of the Arab Fund for Economic and Social Development were steps in the right direction and were being matched by national planning efforts which would strengthen the absorptive capacity of the States in the region.

72. That solidarity had reached a point where it went beyond regional boundaries, and the rapidly expanding co-operation between Western Asia and other regions, particularly Africa, would undoubtedly be consolidated in the future, in keeping with the recommendations concerning co-operation among developing countries made in the General Assembly's resolution on the Programme of Action.

73. The States of Western Asia pinned great faith in industrialization as a means of increasing their absorptive capacity. The industrial sector had expanded rapidly during recent years, but as yet accounted for only 8 per cent of GNP and was basically geared to meeting domestic market requirements. However, far-reaching projects were contemplated, and the new, predominantly petroleum-based industries constituted an enormous investment and should be export-oriented – a process which would, of course, present western Asia with the problem of diversifying production.

74. That region, which had accounted for 26.5 per cent of world petroleum production in 1973, had accumulated vast financial resources. According to a number of esti-

mates, the region's petroleum revenues would amount to \$40 million in 1974. The States concerned were aware of the difficulties involved in utilizing that mass of capital for development purposes and were cognizant of the fact that, well before the growth in petroleum income, the world economy had been experiencing a period of monetary crisis and unprecedented inflation.

75. The States of Western Asia wished to participate in any efforts to devise over-all solutions for the closely inter-woven economic problems of the modern world and had followed with great interest the discussions at the sixth special session of the General Assembly, which had in fact attempted to link those problems in an effort to work out a short- and, more particularly, long-term response to them.

76. While all aspects of the Programme of Action were of great interest to the Western Asian countries, they were mainly concerned by the question of the food shortage. Although the agricultural sector in the region had gradually declined in importance in recent years, it still accounted for an average of 20 per cent of GDP and represented the major source of employment. However, the inadequacy of water resources was hampering agricultural development and, since no attempt had yet been made to increase those resources at the regional level, Western Asia would soon be faced with a serious problem with regard to the supply of water for human, industrial and agricultural use. Agricultural production had declined in 1973 because of the drought which had affected the region and other parts of the world in the same latitude, and the food shortage, which had steadily grown more acute during the previous decade, had suddenly assumed alarming proportions. That crisis would doubtless have served to draw the attention of Governments – which had in fact already begun to appreciate the gravity of the problem – to the need for rapid corrective action, which would entail a special effort to expand fertilizer production. The countries of the region were resolved to make a positive contribution to the World Food Conference to be held at Rome in the autumn of the current year and were also bent on playing their full role in the new international co-operation, an area in which the present redistribution of economic power increased their responsibilities to a very marked degree.

The meeting rose at 5.10 p.m.

1907th meeting

Tuesday, 9 July 1974, at 10.20 a.m.

President: Mr. A. KARHILO (Finland)

E/SR.1907

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. MWANGAGUHUNGA (Uganda) said that the sixth special session of the General Assembly, devoted exclusively to economic matters, had been a recognition of the failure of the old economic order. The present session of the Economic and Social Council had the important task of working out proposals to implement the Programme of