

1960th meeting

Tuesday, 8 July 1975, at 10.40 a.m.

President: Mr. I. A. AKHUND (Pakistan)

E/SR.1960

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (*continued*) (E/5654, E/5665, E/5681 and Add.1-4, E/5682, E/5692, E/5699, E/5713)

1. Baron von WECHMAR (Federal Republic of Germany) said that the decision taken at the twenty-eighth session of the General Assembly to convene a special session devoted to development and international economic co-operation clearly indicated the political will of all Member States to give the problems of development special attention. Events since that decision had increased the urgency of those problems, which had meanwhile been further emphasized in a number of important conferences, including the World Population Conference, the World Food Conference and the Second General Conference of UNIDO, in all of which his country had played a constructive part.

2. Developments and events since the twenty-eighth session of the General Assembly suggested that the seventh special session should not be a self-contained, isolated meeting, but part of a continuing process. It should not be regarded as the conclusion of a stage in world economic development nor should it be expected to produce spectacular decisions; it should provide an opportunity to take stock of what had been achieved so far and to decide how to build productively on those achievements. He agreed with the President (1953rd meeting) that the dialogue with the developing countries should aim at moderate, attainable and clearly-defined objectives.

3. The documents provided for the present debate and for the seventh special session of the General Assembly were identical in their analyses of a number of important factors in world economic developments and in their proposals for improvements. In the first place, although between 1971 and 1974 the developing countries had achieved the target set by the International Development Strategy for the Second United Nations Development Decade, the differences within various groups of countries and various economic sectors had been so great that the average result of a 6 per cent annual growth rate not satisfactory. One sixth of the developing countries, comprising about 15 per cent of their total population, had had an annual growth rate of 8 per cent, whereas 30 per cent, accounting for about 50 per cent of the total population, had registered little or no growth. Although industrial production in the developing countries had reached the 8 per cent average growth rate projected by the Strategy, agricultural production had achieved only 2 per cent.

4. Secondly, apart from those gaps between individual developing countries, the incomes differential had increased rather than decreased.

5. Thirdly, the documents rightly expressed concern about economic developments in industrialized countries since the end of 1973, where rising prices and economic recession had resulted in the developing countries having to pay higher prices for their imports of manufactures while facing a falling demand for their exports.

6. Lastly, future expansion of demand on the part of industrialized countries would largely depend on their confidence in an assured supply of raw materials.

7. He endorsed the Secretary-General's view expressed in paragraph 152 of his report on development and international economic co-operation (E/AC.62/8) that high priority should be given to food supplies, world food security, reversal of the recessionary tendencies in industrialized countries, balance-of-payments support for petroleum-importing developing countries, the recycling of petro-dollars and reduction of the rate of world inflation. Particular attention should be given to the problems of the agricultural sector, since lack of adequate food supplies would impede development in other sectors. He also agreed with the Secretary-General that the most important long-term tasks were support of diversification in developing countries through appropriate trade and aid policies; ensuring adequate earnings from primary commodity exports; and expansion of trade, investment and co-operation among the developing countries. Those measures should ultimately narrow the gap between rich and poor and secure a greater share of future economic growth for developing countries, provided that the world economy could boost the output of goods and services to secure future economic growth: that would depend on improved performance by the industrialized countries. As the Secretary-General rightly stated in paragraph 34, restoration of a more stable and sustainable growth trend in the developed market economies was a matter of the highest priority for the developing countries.

8. In the light of experience in his own country and in world trade, he considered that the market-economy system, with liberal goods and capital transactions among all countries concerned, was the best means of improving performance and that any relapse into liberalism or protectionist practices would impede efforts to improve the division of labour that the developing countries wanted. The free flow of commodities benefited developing countries as well as developed market economies: his own country's trade with developing countries had constantly expanded and its balance had been increasingly favourable to them. He was sure that such results would not have been possible in a system of comprehensive market regulations.

9. His country had no wish to preserve a "*laissez-faire*" market economy of the nineteenth century type; it

considered that international trade would best develop under a system of fair competition based on the principle of supply and demand, but safeguarded against manipulation and including measures to strengthen the position of the developing countries as partners in world trade. Fair competition, however, could benefit all partners only if the flow of goods and commodities reflected the true conditions of relative scarcity in world markets. Nevertheless, whatever could be done to safeguard fair competition and improve the participation of developing countries in international trade, those which were not in a position to export sufficient primary commodities or industrial manufactures would still depend for a considerable time on the direct transfer of real resources. His country was ready to give those countries increasing assistance.

10. His Government gave high priority to development policy as a major element of its policy for peace. It had recently reaffirmed its will to work in equal partnership with the third world countries and had adopted a 25-point policy which included concentration of bilateral co-operation on the group of countries most seriously affected; increased promotion of the agricultural sector in third world countries; working out new patterns of co-operation, such as triangular co-operation whereby developed and developing countries would jointly provide financial resources, technology and equipment to assist other developing countries; an expedited and simplified procedure for planning, examination and implementation of projects in co-operation with the authorities of the developing countries; and more graduated terms and conditions for financial assistance.

11. It was clear that his country preferred concrete action to a continuance of futile discussions on whether a new international economic order should be established or the existing one improved. It was prepared to support the developing countries in their legitimate desire for greater industrialization and to establish raw material processing industries in those countries. Developing countries should have wider access to markets and incentives should be provided for the import of their processed products by the reduction or elimination of tariff or non-tariff trade barriers. His country had always been one of the leading advocates, in EEC of general, non-reciprocal preferences for the third world. It would continue to urge the Community to grant the developing countries further trade concessions through customs preferences and reductions of non-tariff trade barriers. His country was developing specific measures and individual assistance to mitigate the effects of sudden drops in export earnings from raw materials and would submit suggestions as soon as the relevant discussions had been completed.

12. Analyses conducted in the context of those deliberations had shown, however, that the transfer of resources on the basis of artificially high prices for the most important raw materials would largely benefit individual industrialized countries and a limited number of fairly advanced developing countries, while placing a financial burden on those that were short of raw materials. The latter included the poorest and most densely populated developing countries which were net importers of raw materials.

13. In the context of the transfer of technology, his Government would promote the review of questions relating to international patent law on which work had already been undertaken by WIPO. His country was playing a constructive part in that endeavour but it was important to avoid adverse effects on the interests of the private sector, which was a main source for the transfer of technology to developing countries. A favourable investment climate was an important factor both in increasing the transfer of technology and in providing the necessary transfer of private capital.

14. Lastly, economic co-operation among the developing countries themselves should be expanded and intensified, particularly on a regional basis.

15. He hoped he had shown that his country did not merely talk of development policy but took practical steps, entailing a considerable financial burden, to enable the developing countries to generate their own resources of their further development. In continuing that policy it hoped to contribute constructively to positive results at the forthcoming special session of the General Assembly. The international community had embarked on a far-reaching process of joint commitment to the common task of building a better and more balanced world economic system. Efforts should be intensified to ensure that the seventh special session became a milestone, not of confrontation, but of co-operation.

16. Mr. KAZI (Pakistan) said that, at the present time of economic turmoil and uncertainty, when inflation and recession had combined to make a mockery of economic projects and development plans and violent price fluctuations had caused a serious deterioration in the terms of trade of most of the developing countries and acute balance-of-payments problems, most of those countries were in no position to attain the growth targets set and some were struggling for economic survival. No statistics could show the stark realities of human suffering, but some inkling of the problems faced by the poorer developing countries could be gained from the fact that, while the average worsening of the terms of trade in 1974 for all developing non-oil-producing countries had been estimated at 6 per cent, in Pakistan it had amounted to 20 per cent and had increased the balance-of-payments deficit by \$900 million. The *per capita* income of more than half the population of developing countries had fallen in 1974 and according to a study by IBRD no significant increase could be expected for the low-income developing countries for the rest of the current decade without co-ordinated international action on several fronts.

17. There was confusion about the real causes of the world's economic ills and about where the blame for current difficulties lay. The solution of the problems of the most gravely affected countries, including Pakistan, could not await a consensus on interpretations of history or uncertain promises of a bright future. Those countries were the primary victims of the current situation and they faced the urgent and imperative task of feeding hungry people and curbing social unrest and economic chaos.

18. It was obvious that the world's economic problems could not be solved without early implementation of

integrated measures concerning trade, development co-operation and the international monetary system, designed to expand world production, especially in the developing countries. Expansion of economic activity in those countries would improve their living conditions and provide larger markets for the goods and services of the developed countries, as had been seen in the rapid expansion of trade between the oil-producing countries and the developed countries. The world development strategy should ensure an effective and adequate transfer of real resources to the developing countries, increase their external earnings by improving the volume and terms of their trade, and speed up the process of industrialization by providing ready access to technology on fair and reasonable terms. Those were not unrealistic demands if the aim was to promote the welfare of people all over the world and to ensure that a life of dignity was no longer the preserve of a privileged minority. That was what the new international economic order and the Charter of Economic Rights and Duties of States sought to achieve.

19. The present system of international economic relations had been fashioned after the Second World War to replace an inadequate pre-war system, but it was no longer appropriate in the present-day conditions of rapid economic flux. The urgent need was to create a new system of international economic relations in tune with world needs and aspirations.

20. The developing countries could hardly be blamed for becoming impatient with the pace and the meagre results of discussions on the transformation of the economic system, but Pakistan had consistently advocated a co-operative approach in the effort to establish a new and more equitable international economic order. It appreciated the earnest efforts being made, in preparation for the seventh special session of the General Assembly, to agree on specific areas where progress could be made through dialogue and consensus and hoped that agreement would be reached on practical measures. If the special session failed to produce fruitful results, the climate for international co-operation would be further vitiated and the world would be consigned to an era of friction and conflict. The Council, as the central policy-formulating body of the United Nations system, had an important role to play in producing an agreed framework for action and negotiating the necessary compromises.

21. The immediate task should be to reach agreement on the problems which required urgent solution and which were amenable to early action. It was essential that, while talks were starting on the basic long-term problems, urgent action should be taken on measures to alleviate the plight of countries which had been most seriously affected by the present crisis. He hoped that agreement would soon be reached on the following steps: establishment in the World Bank of the proposed new intermediate lending facility, known as the Third Window, to provide at least \$1,000 million a year in additional aid; completion of the financial arrangements for the IMF's oil facility for 1975; creation of the proposed special Trust Fund to be administered by IMF, for balance-of-payments support to the low-income developing countries by January 1976; early action for the fifth replenishment of IDA; a commitment by DAC

member countries to achieve the official development assistance target of 0.7 per cent of their GNP by 1980 and progressively increase their aid allocation in conformity with that target in the interim period; and improvement of the quality of aid to the most seriously affected countries and reduction of their debt burden. His delegation strongly endorsed the IBRD conclusion that additional resources of about \$2,000 million annually should be made available to the low-income developing countries to enable them to attain reasonable growth rates.

22. In addition to those immediate steps, direction and impetus should be given to the current negotiations for reform of the world monetary system, especially regarding the need to arrest sharp currency fluctuations, provide a suitable mechanism for transferring financial resources of the developing countries and enable them to participate more effectively in the management of international monetary arrangements.

23. The developing countries could not build self-reliant economies without basic changes in their trading relationships with the developed countries. In particular agreement should be reached on the following measures: adoption of guidelines for commodity negotiations to ensure fair and remunerative prices, stable markets for producers and assured supplies for consumers; comprehensive measures to stabilize the developing countries' export earnings, recognition of the principle of maintaining a balance between export and import prices for developing countries and compensating them for fluctuations in their trading balance, and steps to improve the IMF compensatory financing facility; agreement by the OECD countries to improve and enlarge the GSP by early 1976; and the adoption of a phased programme for the removal of tariff and non-tariff barriers affecting the imports of developing countries not included in the GSP. He welcomed the support voiced by some developed countries for the industrial provisions of the Lima Declaration and Plan of Action on Industrial Development and Co-operation (E/5696, chap. IV) and hoped that it would soon be translated into action for promoting industrialization in the developing countries in accordance with those provisions and targets.

24. Food was another important area requiring attention. His delegation would like to see the early creation of the International Fund for Agricultural Development and the implementation of the International Undertaking on World Food Security decided upon by the World Food Conference (see E/5587, chap. V). Rapid growth of agricultural production in the developing countries was the only durable solution to world food problems.

25. The world was facing many serious economic problems which could be solved only through co-operative international action. The credibility and viability of the United Nations and its organs depended on their ability to deal with those problems promptly and effectively. That required the reconciliation of the interests of sovereign States in formulating programmes of action in the interests both of individual States and of the whole world. There were long and hard negotiations ahead which would succeed only if all concerned showed foresight, tolerance

and understanding. Pakistan would contribute its full share of endeavour and support in the coming tasks.

26. Mr. RICHARD (United Kingdom) said that he would confine his remarks to the forthcoming seventh special session of the General Assembly, for three reasons: it was the most pressing of the three items under consideration; any discussion in the Council of the other agenda items seemed to lead on inevitably to an examination of the purposes of the seventh special session; and it was important to decide how the special session fitted into the continuing international debate on economic issues and what it might be realistically expected to achieve. There was perhaps a feeling that the success or failure of the whole world economic dialogue would depend upon the seventh special session. He did not share that view, nor did he agree that the special session should be regarded as conclusive, since the reshaping of world economic relations was not the work of a few weeks but a gradual process of reconciling opposing economic interests by rational discussion. The politics of the world economic system had altered and the present task was to transform that political change into economic action.

27. Although there had been little practical and substantive progress so far in the preparatory work for the seventh special session, the absence of progress might be more apparent than real. The decision to convene the session had been taken in 1973; since that time there had been a number of important conferences concerned with various aspects of world monetary and economic relations, and varying degrees of progress had been made in different fields. His delegation was content to accept the proposals submitted by the Group of 77 in informal talks with regard to the agenda for the special session as a basis for discussion, although it would not necessarily have selected exactly the same topics as being those most requiring discussion in 1975.

28. Some representatives of developing countries were still voicing the view that an earnest of the industrialized world's political will to reach a constructive consensus on the proposed agenda items was an essential prerequisite for the success of the seventh special session. That political will was manifest in the Declaration on Relations with Developing Countries adopted by senior Ministers of the countries members of OECD at their meeting in May 1975¹ and in the final communiqué of that meeting. The Declaration referred to the determination of OECD member countries "to intensify their efforts to co-operate" with the developing countries and to "make real progress towards a more balanced and equitable structure of international economic relations". With regard to the United Kingdom itself, the Prime Minister, in his speech at the 1975 meeting of the Commonwealth Heads of Government, had called for a new deal in world economics based on the fundamental need for more wealth which could be shared more equitably.

29. It might be concluded from the list of topics which the developing countries had prepared for discussion at the seventh special session that it was in those fields that

international co-operation was in urgent need of fresh impetus. Much, however, was already happening. For example, international trade provided the largest part of the foreign exchange earnings required by developing countries to finance their economic progress. The United Kingdom had been one of the pioneers of a generalized system of preferences and took pride in the considerably improved scheme recently implemented by EEC. The ACP-EEC Convention of Lomé concluded in February 1975 between EEC and 46 developing countries had provided increased trading opportunities for those countries and by its STABEX scheme had made a significant contribution to the stabilization of export earnings from raw materials an important new departure. The successful conclusion of a new International Tin Agreement, which had demonstrated that problems between producing and consuming nations could best be solved by co-operative international action, might point the way for future negotiations on other key commodities.

30. In the course of its preparations for the seventh special session, the United Kingdom Government had reached the conclusion that trade in commodities was one of the questions most requiring fresh international examination; it had therefore initiated a new study of the problem, as a result of which the British Prime Minister had presented to the meeting of the Commonwealth Heads of Government a number of proposals for bringing order into the trade in commodities, with special emphasis on the needs of the poorest countries. Those proposals were being farther studied by the group of experts set up by the Commonwealth meeting, by EEC and by OECD. It was disappointing that there had been limited reactions elsewhere to the proposals and to the accompanying research paper, which had been made available to all delegations in New York by the end of April 1975. His delegation hoped that at the seventh special session the General Assembly would agree on some positive steps to carry forward detailed discussion and negotiations in the appropriate fora.

31. The other questions suggested by the developing countries for inclusion in the agenda of the seventh special session were already the subject of continuing important discussions elsewhere; transfer of resources was being handled by the Development Committee of IMF and IBRD; a conference on industrialization had been held at Lima;² work had begun in UNCTAD on the formulation of an acceptable code of conduct for the transfer of technology and there were proposals for a major conference on science and technology in development; lastly, the Council had before it an imaginative report from a Group of Experts (E/AC.62/9) on restructuring the social and economic sectors of the United Nations system — a process which would inevitably take some time.

32. He did not suggest that such activity *per se* had significantly reduced the seriousness of world economic problems. On the contrary, the problems of developing countries, especially of those which lacked valuable raw materials, were more pressing than ever and the repercussions of the deepening recession and accelerating inflation suffered by the industrialized world were adding

¹ For the text, see OECD Press Release PRI:SS/A(75)21, of 29 May 1975.

² Second General Conference of UNIDO, 12-26 March 1975.

to the difficulties of the developing countries. All those developments had created a different environment for the seventh special session from that envisaged when it had first been proposed. All countries were more aware of the complexity and difficulty of the issues to be dealt with at that session. Documents recently adopted such as the Declaration and Programme of Action on the Establishment of a New International Economic Order, the Charter of Economic Rights and Duties of States and the Lima Declaration and Plan of Action on Industrial Development and Co-operation had revealed differences of interest and approach between the industrialized and the developing countries on certain fundamental issues, but the meetings of which those documents had been the outcome had also revealed a general awareness of common interest and common purpose. The industrialized countries had moved a long way in a relatively short time: they had accepted the moral imperative for fundamental alteration in the world economic situation. His delegation hoped to see a continuing dialogue extending through the seventh special session and beyond it and was of the view that all countries should be guided by the moderate aims which the President had put before the Council in his opening address (1953rd meeting): namely, defining the limits and sectors on which negotiations could be initiated; agreeing on the principles which would govern negotiations in respect of each; and deciding on the fora, existing or to be set up, in which concrete negotiations would be conducted.

33. The nature and substance of the dialogue was more important than the forum in which it was immediately to take place. The significance of the seventh special session did not lie in the possibility of any dramatic results but in the fact that it gave the whole international community an opportunity for a comprehensive consideration of the problems, followed by a decision upon the framework within which more detailed future discussions should take place. He hoped that the developed countries would not be confronted by a demand for action which its proponents must realize to be unrealistic and unacceptable as well as politically unnecessary. The United Kingdom had demonstrated its political commitment to change and was entitled to ask for a degree of mutual comprehension on the part of the Group of 77. It could not and would not be forced into positions which it did not believe it could honestly accept. If the seventh special session gave the international community an opportunity to demonstrate its joint political commitment to orderly change and provided the necessary impetus for detailed discussions in more appropriate fora, it would, in his delegation's view, have more than achieved its aims and purpose.

34. Mr. LONGERSTAEY (Belgium) said that in its statement to the Council in 1974 (1907th meeting) his delegation had spoken of the increasing disequilibrium threatening the international community and the difficulty of deciding upon the appropriate corrective measures. The *World Economic Survey, 1974*, (E/5665, E/5681 and Add.1-4) confirmed the general trend which had been appearing at that time.

35. Since 1975 was the year designated for the mid-term review and appraisal of the Second United Nations Development Decade, it was natural to consider the entire period

from 1971 to 1974. It was clear from the *Economic Survey* that the period fell into two distinct sections: an opening period extending from 1971 to the beginning of 1974 and marked by considerable economic growth, and the later period in which economic activities had slowed down, particularly in developed market economy countries, with repercussions on the world economy as a whole.

36. The *World Economic Survey* provided a statistical analysis of the 1974 recession. The important point was its repercussions on the relations between the various economic groupings. Economic stagnation in the developed market-economy countries had caused a slowing down in the developing countries, particularly those which specialized in the export of manufactures. The same trend was noticeable with regard to the volume of exports from developing countries to developed market-economy countries. All the indicators demonstrated the interdependence of economies both between the groups and within them. Another general observation was the great disparity of achievement among the developing countries themselves. Although the figures showed a slight reduction in the gap between the *per capita* GDP of developing and developed countries and a considerable average improvement in the developing countries' terms of trade over the period 1971 to 1974, the results varied greatly from one country or group of countries to another.

37. Those general points should not only engender a certain diffidence about the possibility of predicting or directing the course of events but should inspire perseverance and redoubled efforts to attain the objectives laid down in the International Development Strategy.

38. As far as the quantitative targets of the Strategy were concerned, the general picture was encouraging in the areas in which results had been achieved, but provided food for thought about the corrective measures needed in fields where results had been disappointing or frankly negative.

39. Over the period as a whole, the developing countries had achieved promising results with regard to foreign trade, which had enabled them to attain the domestic savings target set in the International Development Strategy. In the industrial sector, production had exceeded the target rate, although results varied according to sector and region. The most satisfactory results had generally been associated with success in export markets, which demonstrated yet again the interdependence of economies. It appeared, however, that although the industrial sector had made a substantial contribution to increasing GDP, its contribution to the creation of employment had been much more meagre. The problem of maximizing the number of employment opportunities created by investment remained as urgent as ever. Better development planning would be furthered by identifying the type of industry which favoured the creation of employment.

40. It was unfortunate that results in the agricultural sector had not been as encouraging as those in foreign trade and industry. Agricultural development over the period 1971-1974 had achieved less than half the target set in the International Development Strategy. World agricultural production had remained at approximately the same level

in 1974 as in 1973 and stocks had not yet been built up again. Average food consumption appeared to have decreased in comparison with 1971. The gravity of the situation called for concerted international action to increase agricultural production in developing countries. The unemployed rural population must be integrated into the agricultural economy, a trend likely to entail changes in land tenure. A combination of economic and social reforms might prove successful.

41. Among the many other measures required in order to achieve increased agricultural production, he would refer only to the questions of fertilizers and training. With regard to the former, a policy must be developed which was based on the achievement of balance between supply and demand; Belgium would support measures to that end. Technical knowledge and training was a fundamental factor in agricultural development. Research in that field would be of limited value unless the information was passed on to the worker on the land and took account of local conditions. Such dissemination of information should be integrated into education in rural areas so that it spread through the intermediary of the school-child to his family.

42. Trade had played an important part during the period 1971-1974, and the developing countries had benefited from the general rise in international commodity prices. Factors that might be beneficial in one area, however, could be retrogressive in another. It was therefore important to introduce stabilization factors into trade relations which would ensure outlets and sufficient revenue for producer countries and which would provide a solid foundation for their development planning.

43. Another basis for development should be established in the industrial and agricultural sectors, which were not separate, but complementary sectors, requiring simultaneous development. The population of the developing countries was largely rural and an increase in its purchasing power would be a considerable stimulus for industrial production. Both sectors should generate employment. In order to overcome the paradox of the meagre contribution of industrial development to the creation of employment, a better adjustment should be sought between the requirements in manpower of the manufacturing sector and of the rural economy, which were complementary to each other in that regard. That was particularly so when industry could not absorb the labour resulting from a more and more modernized agriculture. There was also a relationship between the size of a country and its participation in foreign trade. Often, the volume of sales in a national market was not enough to reduce production costs and retail prices. Consequently, the developing countries should aim at establishing markets that were large enough to match optimum production capacity. A development plan taking full account of the relationship between the agricultural and the industrial sectors and forming part of a regional or sub-regional programme would be a powerful stimulus for increasing trade and would enable the developing countries to obtain a better share of world markets.

44. For the past 15 years Belgium had attained and often exceeded the target fixed in the International Development Strategy for the net transfer of 1 per cent of GNP to the

developing countries. With regard to net official aid, his Government was continuing its efforts to reach the figure of 0.7 per cent of GNP. It should be borne in mind that the percentage changes did not reflect changes in absolute figures because of substantial increases in GNP. In 1972, for instance, a growth of five points in official aid in relation to the GNP had corresponded to an increase of almost 22 per cent in relation to the assistance budget of the previous year, which was considerably more than the rate of inflation at that period.

45. Despite the economic difficulties which Belgium, like other developed market-economy countries, was experiencing, it intended to increase its financial and technical assistance to the poorer countries in so far as the basis of its economy was not affected by attempts to challenge an economic development experiment from which all countries had benefited up to now.

46. On the basis of the criteria established by DAC, the Belgian effort for 1975 would amount to 0.62 per cent of GNP, which would represent about 2 per cent of the State budget and demonstrated his Government's determination to keep its official aid in line with the growth of GNP. In that connexion, he pointed out that Belgium was placing more emphasis on multilateral aid. Belgian multilateral aid would increase from about 25 per cent in 1974 to more than 35 per cent in 1975.

47. An important innovation in his Government's contribution to development would be the co-financing of projects with non-governmental organizations, which were most active in carrying out various small projects for the benefit of the poorest sectors of the population.

48. Since the desired results had been obtained in the trade and industrialization sectors but not in agriculture and the transfer of resources, those two sectors should be given priority and action at both the national and the international level should be considered so that the targets fixed in the Strategy might be achieved before the end of the Decade.

49. His delegation was ready to accept the provisional list of specific areas and questions prepared by the Group of 77 as a basis for discussion of the agenda of the seventh special session of the General Assembly and attached particular importance to international trade, the first item on the list. In that field, Belgium was in favour of a dynamic approach to the problem of raw materials with a view to meeting the development needs of the developing countries and the requirements of the consumer countries, whether industrialized or under-developed. For that purpose, it would be useful to prepare a list of commodities of interest to the developing countries for which international agreements were desirable. Such agreements could establish remunerative and fair prices that would guarantee in the long term a balanced expansion of production and consumption. Belgium sincerely hoped that negotiations for that purpose would be undertaken as a matter of urgency in the framework of a comprehensive programme. Moreover, in cases where trade measures would be inadequate, his Government was in favour of considering international machinery for stabilizing the export revenue of the develop-

ing countries. Food, too, was of particular importance and it was essential to make special arrangements to ensure the security of world food supplies. The latter two measures would assist the least developed among the developing countries. It was also necessary to ensure that there was an adequate transfer of real resources to those countries.

50. In conclusion, he stressed that such an ambitious programme required not only the political will of States but also a thorough structural reform of the economic system of the United Nations. The report of the Group of Experts on that subject would no doubt be a valuable source of inspiration at the seventh special session of the General Assembly.

51. Mr. van LENNEP (Secretary-General, Organisation for Economic Co-operation and Development) said that, in the face of an unprecedented combination of difficulties during the past 18 months, the OECD countries had succeeded in evolving co-operative responses in five key areas.

52. In trade, to counter the risk of protectionist measures by countries faced with severe balance-of-payments deficits, they had adopted the "Trade Pledge",³ which stated their determination to avoid recourse to new restrictions on trade and other current account transactions and the artificial stimulation of current and invisible exports. The Pledge had been renewed for another year with effect from May 1975.

53. To supplement existing financial mechanisms and provide an insurance policy for countries faced with the cumulative burden of financing continuing large deficits, they had signed in April 1975 the Agreement establishing a Financial Support Fund of OECD. The Fund would not entail any pre-empting of the borrowing facilities of non-OECD countries, its purpose being to reshuffle capital flows within the OECD area.

54. In the field of energy, their immediate action had been directed towards conservation and the development of new resources through a co-operative effort which had been expressed in the creation of the International Energy Agency of OECD.

55. They had also considered it imperative that current balance-of-payments difficulties should not lead to a curtailment of aid flows to developing countries, and that objective had been officially endorsed.

56. Lastly, they had sought to develop a common strategy in the fight against inflation. Strong anti-inflationary action had become necessary not only for domestic reasons but also in the interests of the world economy. An accelerating international cost-price spiral, transmitted by foreign trade prices of essential inputs and investment goods, had been straining international economic relations, compromising conditions for the free flow of trade and payments and threatening social and political stability. They had accepted to run their economies well below their

productive potential in order to combat inflation. In so doing, they had been fully aware of the risks for their economies and of the implications for those of the developing countries, including their balance-of-payments problems, but they had no other choice.

57. As a result of those actions, trade restrictions had, by and large, been avoided, there had been no monetary crisis or collapse of international financial institutions, aid levels had been well maintained and the battle against inflation and recession was beginning to show some results.

58. Nevertheless, the present situation was still unsatisfactory. The recession had gone further than had been expected and inflation was still at high levels in many countries. The balance-of-payments positions of the developing countries and of a number of smaller OECD countries were becoming very difficult.

59. There were a number of lessons to be learned for the future. Firstly, both in the 1972-1973 boom and in the 1974-1975 downturn, national and international forecasters had failed to take sufficient account of the multiplier effects resulting from the synchronization of national cycles. That partly explained the serious errors in the timing and scope of counter-cyclical policy: countries had acted too late to prevent the excessive boom of 1973 and when, subsequently, higher oil prices had added to other deflationary elements, they had underestimated the strength and persistence of the recessionary movement.

60. Secondly, the way in which the OECD economies had reacted to external shocks and domestic policy measures had revealed structural weaknesses -- rigidities in labour and product markets and the mis-allocation of resources, partly reflecting the creeping inflation of the past -- as well as psychological, social and political factors. They had aggravated the effects of inflationary and deflationary impulses and limited the efficiency of the policies aimed at offsetting them.

61. Thirdly, sustained, non-inflationary growth would require major changes of domestic policies in the industrial countries and a better harmonization of the policies of all countries. There was need to reassess the prospects for sustained economic growth in the context of medium and longer-term structural change, bearing in mind the constraints arising from inflation. Consideration would have to be given to the question of how economic policy instruments could be improved and used more flexibly with a view to developing more comprehensive and prompt policy responses to changing situations. Such a fundamental reassessment was now taking place in OECD.

62. OECD was forecasting the beginning of a recovery in the near future. In the first half of 1976 the OECD areas as a whole should achieve an annual growth rate of about 4 per cent. Much would depend on the state of confidence in the private sector. Unemployment would not start declining until 1976.

63. Inflation remained a serious problem and the recovery would start at a time when inflation rates would still be very unsatisfactory in some countries. The disparities

³ Declaration adopted on 30 May 1974 by the Governments of OECD member countries; for the text, see OECD Press Release of 30 May 1974.

between inflation rates were an important source of international monetary instability and tended to become cumulative. He hoped that the first signs of reviving demand and decelerating inflation would not be smothered by new adverse economic developments outside the OECD area.

64. A major responsibility of OECD countries would be to ensure sustained non-inflationary growth in their economies and hence in the world economy, but it would have to be borne in mind that that task was being tackled in circumstances that differed considerably from those of the past.

65. Developments in the energy and commodity markets would obviously play an important part, both as cause and as effect, in the achievement of sustained, non-inflationary growth. He considered that there was a fundamental convergence of interests between producers and consumers which needed to be expressed in practical arrangements to ensure adequate supplies at more stable prices that would provide incentives for investment, production and conservation.

66. The OECD countries recognized that the world economy would have to adjust itself over the next 10 to 20 years to a substantially higher relative cost of energy than that prevailing up to 1973. Oil producers and consumers had a joint interest in carrying out that transition as smoothly as possible and, notably, without abrupt changes in prices and consumption. The OECD countries had declared their readiness for a constructive dialogue with the oil producers.

67. With regard to industrial raw materials, producers and consumers, irrespective of their state of economic development, had a common interest in avoiding upheavals such as those of recent years. The present weakness of demand had serious consequences for producers and presented the risk of curtailing future supplies and thus creating new bottlenecks in a few years' time that would rekindle inflation in the world economy. Practical arrangements needed to be agreed upon between producers and consumers to reduce the instability of markets and of export earnings, to ensure adequate levels of investment, and to improve and increase market outlets and the local processing of commodities. The OECD countries had set up a high-level group on commodities to explore the practical action needed with regard to industrial raw materials and to those basic foodstuffs which were of special export interest to the developing countries.

68. It should be remembered that shortages in basic food supplies had been a major factor in the sharp increase in food prices in 1972-1973 and had caused great hardship in some of the poorer developing countries. Consuming and producing nations alike must take the action needed to

avoid the risk of a recurrence of that situation. To that end, the best possible use should be made of the current improvement in output so as to build up stocks and maintain the incentives for a sustained production effort.

69. The specific problem of economic relations between OECD countries and the developing countries had been a major preoccupation of the OECD Ministers when they had met at the end of May 1975 in the Council and again in DAC in July 1975. The Ministers had adopted the OECD Declaration on Relations with Developing Countries, which expressed the determination of member countries to consider policies aimed at strengthening the position of the developing countries in the world economy, to discuss relevant issues with particular emphasis on food production, energy, commodities and development assistance for the most seriously affected countries and to pursue the dialogue with developing countries in all appropriate fora. Secondly, the Declaration was placed in the dynamic perspective of increased participation of the developing countries in the benefits of an improved and expanding world economy and of progress towards a more balanced and equitable structure of international economic relations.

70. OECD was undertaking a comprehensive review of economic relations with the developing countries that was designed to assist member Governments in promoting a wide range of constructive approaches where prospects for progress appeared most promising. There was general agreement that early and constructive action was especially required to respond to the needs of the lower-income countries, whose long-term development could only be promoted by aid. Members of DAC were concentrating their aid more and more on the lower-income countries as was illustrated by the emphasis they were placing on agricultural development. Most DAC countries were seeking to double their assistance for that purpose. In addition, various new initiatives for channelling assistance to the developing countries, such as the special Trust Fund to be administered by IMF and the International Fund for Agricultural Development, were under consideration and would, he hoped, soon come to fruition. The World Bank was already proceeding with the establishment of the so-called Third Window.

71. There was a wide measure of agreement on the need to accelerate the process of structural economic change in both developed and developing countries to provide greater opportunities for the trade of developing countries as part of an expanding world economy. Governments were faced with problems of unprecedented complexity and had to review jointly their systems of values and decision-making and to seek constructive, co-operative policies for the harmonious development of the world. He assured the Council that OECD would spare no effort in doing its part.

The meeting rose at 12.20 p.m.