

1965th meeting

Thursday, 10 July 1975, at 3.10 p.m.

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

E/SR.1965

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. Mr. ASHTAL (Democratic Yemen) said that, since the fifty-seventh session of the Council, tens of millions of people had attained independence, in Viet-Nam, Cambodia, Mozambique and Cape Verde, after long years of armed struggle against colonialist and imperialist forces. The Council and all other interested United Nations bodies were called upon to extend all possible assistance to those newly independent nations, so that they could consolidate their economic reconstruction. Democratic Yemen also welcomed the delegation of the Palestine Liberation Organization, another movement determined to assert its national independence.

2. As recently as the fifty-seventh session, the very idea of reconstructing international economic relations had been shunned by some developed countries. Some progress seemed to have been made since then, for certain developed countries, with varying degrees of conviction, now made fewer reservations concerning the establishment of the new international economic order, which the Group of 77 regarded as an appropriate starting-point for preparations for the seventh special session of the General Assembly. It remained to be seen, however, whether both the developing and the developed countries meant the same thing by the new order.

3. While his delegation welcomed international economic co-operation based on equity and justice, it was more anxious to obtain practical agreements on trade and other economic issues than verbal agreement on a new terminology. Yet all that had taken place so far seemed to be an expression of intention by the developed countries to discuss international economic relations within the framework of the new order, while the developing countries earnestly sought some manifestation on the part of the developed countries of willingness to forgo their unenlightened self-interest in the quest for international economic stability and peace.

4. The developing countries were not greatly impressed by reports of the adverse effects of the so-called recession on the working masses in the developed countries. They believed that the recent slackening of the economic situation in the capitalist countries had been disproportionately exaggerated, in disregard of the situation of hundreds of millions of people in the developing countries who had known nothing but constant recession and poverty over the years. There was no need to adduce comparative statistics

to describe their plight, since cold figures could not convey the human dimension of misery and deprivation. Nor could it be assumed that the widening gap between the rich and the poor countries could be bridged by trickles of so-called assistance, which in any case was often tied to political considerations and represented only a fraction of the large profits made by transnational corporations operating in the recipient countries.

5. For the developing countries, self-reliance was a prerequisite for economic interdependence which, in the absence of equitable economic interplay, could be but a guise for neo-colonialism. Partnership could not be regarded as healthy when the contract favoured the strong. On the other hand, the new international economic order safeguarded the rights of all in justice and freedom. Some delegations were urging members of the Council to go into specific details and to leave aside general declarations; but the developing countries regarded the Council as a superior body which was responsible for establishing general principles and reaching broad agreement. Countries could not be expected to negotiate on technical matters when the primary need was a common stand on the basic issues. If all countries could agree to base the preparations for the seventh special session of the General Assembly on the provisional list of questions submitted by the Group of 77 in informal talks, without irksome reservations, a long step would be taken along the path of co-operation.

6. With regard to regional developments in his country's area, it should be borne in mind that in Western Asia there was a glaring disparity between countries enjoying the highest *per capita* income in the world and those living in abject poverty. Representatives of the developed countries would like to convince the world that the oil-producing countries in the ECWA region should circulate their liquid assets in Western banks and in various investments; but the countries of the region held that charity began at home and that all extra funds should be invested in development projects in the third world, particularly in the countries which were most affected by the increase in prices of food and other raw materials. ECWA was best equipped to channel development aid from the rich to the poorer countries of the region, where the highest *per capita* income was about \$10,000 and the lowest less than \$100.

7. With regard to the restructuring of the United Nations system for purposes of global economic co-operation, his delegation appreciated the valuable report of the Group of Experts on the subject (E/AC.62/9) and needed time to study it carefully. It hoped, however, that that report would not divert the Council's attention from the main issue of establishing the new economic order.

8. Mr. KACIMAIWAI (Fiji) said that the relative success of any United Nations initiative depended upon the

practical support given it by Member States. The International Development Strategy for the Second United Nations Development Decade was no exception and needed to be closely monitored and reappraised on a continuing basis, with vigilant co-ordination; in extraordinary economic circumstances, it might even need appropriate political and economic manipulation, especially on the part of the countries which usually determined the tone, growth and progress of the world economy. Indeed, the successful implementation of the Strategy called for the unstinting political determination of all nations and a genuine sense of motivation on the part of the United Nations bodies co-operating in its implementation.

9. The International Development Strategy embodied many of the hopes of the developing countries and represented a commendable constitutional basis for the aspirations of millions of the world's poor populations; accordingly, its recognized failure at the time of the biennial review, in comparison with the relative success of the first programme for international economic co-operation,¹ had created a profound sense of frustration and disillusionment in the under-developed world. That sense of disappointment had been one of the factors that had led the developing countries to support the convening of the sixth special session of the General Assembly in 1974. It might be said that the resulting Declaration and Programme of Action on the Establishment of a New International Economic Order represented the International Development Strategy reappraised, up-dated and set in the new dimension of concern for a better distribution of the world's resources based on social justice.

10. The developing countries saw the new economic order as a new scheme of international economic and social relations, based on the principle of partnership of sovereign States, transcending national and regional limits and political and economic ideologies and systems. The frequency with which the third world and some industrialized countries had reiterated the need for realistic recognition of such a new framework indicated their mounting concern: it was in those new relations that the developing countries saw much of their economic and social salvation.

11. In its first preambular paragraph, the International Development Strategy reflected the noble ideals of the United Nations Charter for promoting social and economic justice; the Strategy, adopted by consensus in 1970, was a fitting tribute to the foresight and breadth of vision of the President of the United States who had originally proposed the concept in 1961. Yet there was a tendency for innovative ideas and philosophies to remain without support and to stagnate in national archives. That must not be allowed to happen with the Strategy and the principles of the new economic order: if they needed re-examination and modification, that should be done, for the sake of the millions of the world's poor.

12. The diverse challenges of modern times must be faced squarely if the world economy was to be stabilized and hope brought to the millions whose lives remained

largely unfulfilled. The past two years had witnessed unprecedented political and economic upheavals; wars and conflicts had occurred in various parts of the world, although peace and sustained harmony were essential to continued economic growth and stability; it was to be hoped that the last five years of the implementation of the Strategy and the beginning of the evolution of the new economic order would take place in peace and international co-operation and security.

13. Against that background of conflicts, inflation, rooted in rising demand unmatched by increases in supplies and reinforced by shortages of vital commodities, had created uncertainties about the value of major currencies, with the result that many of those currencies had been devalued and revalued – without any co-ordination – in the hope of bringing about a measure of stability. In view of the close interdependence of national and regional economies, such measures could be regarded only as temporary stop-gaps and in some developed countries inflation had reached the level of 20 per cent, creating an upturn in commodity prices which gave the countries of the third world only a false sense of economic security, growth and prosperity. Workers sought ever larger wage increases to offset higher inflation, producers increased costs to meet higher wage demands, thus completing the vicious circle of the wage-price inflationary spiral, and national counter-measures of lowering production had only given rise to a recessionary economic trend and to world-wide unemployment. Inflation and recession had had a particularly serious impact on the poor countries, especially those now called the “most seriously affected countries”, which in 1974 had reached a stage of near economic collapse.

14. It was generally recognized not only that national economies were interdependent, but also that the sustained growth of the world economy was pegged to those of the more prosperous nations. The Secretary of State of the United States of America had said in a recent speech that when the United States was in recession, recession spread, and that without American expansion the world economy tended to stagnate. Similarly, the increasing role of the aggregate economies of the EEC countries had a correspondingly expanding impact on many developing countries, for despite the fast pace of decolonization many former colonial territories continued to depend largely on traditional markets in the countries of their former administering Powers. Thus, although all economies were interdependent, some were more dependent than others and that was one reason why the developing countries had sought economic redress through the support of the developed world and, consequently, through implementation of the Strategy and the establishment of a new international economic order.

15. From the political point of view, national actions to hold down costs in order to overcome inflation, particularly in the wage sector, were often impractical or socially inequitable. The many counter-recessional measures adopted in 1974-1975 had entailed the risk of widespread unemployment and some countries had even cut down long established welfare schemes in the attempt to keep their economies afloat. For traditionally poor countries such measures only aggravated the plight of their already

¹ General Assembly resolution 1710(XVI), of 19 December 1961.

impoverished population. Since May 1974, wages in Fiji had risen at rates 4 to 5 times greater than the corresponding rise in consumer prices, a situation which represented a potential threat to its small economy; that trend probably applied to other small economies. The four-fold increase in the price of oil had had an unprecedented impact on national economies and on the level of world production. Moreover, the anticipated increase by over 700 per cent in the price of fertilizers constituted a serious threat to the expansion of the agricultural sector, particularly in view of the fact that only about 50 per cent of the Strategy target for agricultural growth in developing countries had been achieved. That situation was particularly alarming in that the rural population of the under-developed world constituted about 70 per cent of the total. The vast increase in the price of fertilizers could only lead to further deterioration of mass poverty, deprivation and social misery among the world's rural population by further increasing overhead costs and hampering recovery from inflation and recession.

16. Although inflation had had a direct impact on national balances of payments in both developed and developing countries, it was obvious that countries with large and viable economies were in a better position to initiate processes leading to an accelerated recovery from balance-of-payments deficits. Among the developing countries, the non-oil-producers had been the greatest sufferers: IMF had recently reported that their combined current account deficit had increased from \$9,000 million in 1973 to \$27,000 million in 1974 and was expected to reach \$36,000 million in 1975. External financing would therefore be a major problem for those countries for some time to come; at best, some of them would have to contemplate considerable reduction of their net reserve positions in order to finance the current account deficits likely to accrue in 1975. For those countries, the gains of the past five years would have been completely destroyed by the impact of the recent economic upheaval. The Development Strategy was intended to improve the terms of trade of the developing countries and develop their industries in order to provide a broader base for their national economies; yet, there had been a setback in the transfer of real resources: the developed countries had achieved only about 45 per cent of the target figure of 0.7 per cent of their GNP. The creation of self-sustaining economies, a primary aim of the Strategy, could only be achieved by a considerable improvement in the terms of trade of the developing countries. An increased inflow of resources was a primary necessity to enable the developing countries to cope with their deteriorating economies, and the developed countries should be prepared to make firm commitments to implement the target figures of the Strategy. In that connexion, the establishment of a lending facility at concessional terms would help to improve the economic situation of the developing countries, as would the new oil facility envisaged jointly by the OPEC group and IMF.

17. Nevertheless, the progress of economic and social development was primarily the responsibility of each Government, which had to determine priorities, implement development programmes, carry out the necessary infrastructural changes and mould national attitudes to

acceptance of innovations. The developing countries must endeavour to foster greater co-operation in the over-all development process. Much had been said about the need to strengthen co-operation between the developing and the developed countries, but that did not mean that the developing countries should be mere recipients of economic aid. They must improve their terms of trade, promote technical and financial assistance schemes among themselves and develop a greater spirit of co-operation; the concept of economic interdependence must not be regarded simply as the economic dichotomy between the developed and the developing countries. Initiatives already taken in that direction must be strengthened, particularly in the light of the current emergency situation. In addition, such measures would provide the necessary psychological motivation for the developed countries which were in a position to give assistance.

18. His delegation supported the general outline suggested by the President in his opening address (1953rd meeting). In its opinion, the seventh special session of the General Assembly should not be convened with a view to formulating yet another declaration, since the International Development Strategy, the Declaration and Programme of Action, together with the general framework of the Charter of Economic Rights and Duties of States, provided a perfectly adequate basis for constructive work. The most important task of the seventh special session would be to establish appropriate machinery for negotiation, to be followed by a constructive dialogue. The spirit of the Convention of Lomé between EEC and 46 developing countries of Africa, the Caribbean and the Pacific could, in principle, be extended to the United Nations development system: that Convention had established the so-called STABEX scheme for the stabilization of the export earnings of the developing countries concerned and, although it applied only to selected commodities, it could be the forerunner of a global scheme to ensure stability in the trade of the developing countries.

19. His delegation considered that from the practical point of view it was unwise for delegations to the Council to dwell unduly on past inequities. The economic and social imbalances of the old economic order were obvious but the equally obvious desire to change that order should serve as a basis for co-operation and common action. The constant act of blaming other nations often only stiffened the political will of individual countries or groups of countries.

20. The provisional list of topics proposed by the Group of 77 for the seventh special session provided a good framework for discussion, from which efforts should be extended to areas in which there were common aspirations, and negotiations should proceed as constructively as possible on areas in which there were differences. Only such concerted action could lead to formal acceptance of the new international economic order which would bring the first ray of hope to the millions who had lived continuously in poverty.

21. Mr. DUGERSUREN (Mongolia) said that it was encouraging to note that, 30 years after the end of the Second World War, the world community was witnessing increasing *détente* on the basis of the principles of peaceful

co-existence. World peace and security would be strengthened by the successful conclusion of the Conference on Security and Co-operation in Europe and by the victories of the Viet-Nameese, Cambodian and Laotian peoples over neo-colonialist aggression, and confrontation would give place to a concerted search for negotiated solutions to many cardinal problems. The proponents of the "cold war", however, were endeavouring to complicate the international situation and reverse the favourable trend. It was essential to halt the arms race if international peace and security were to be preserved. Vigorous, sustained efforts should be made to ensure the constructive participation of all States, especially the nuclear weapon States, in disarmament negotiations.

22. There was a growing perception of the need to translate the favourable opportunities offered by the improved international political climate into practical measures to promote social and economic development and international co-operation, which were the real benefits the international community could derive from peaceful co-existence. The current world economic situation revealed uneven and contradictory tendencies. The developed market economies were suffering from recession, inflation, and energy and monetary crises. Despite considerable isolated gains, the general situation of the economies of developing countries was far from satisfactory. According to the *World Economic Survey, 1974*, part two (E/5681 and Add.1-4), the rate of growth of agricultural and industrial production in the developing countries had declined from 1973 to 1974. Consequently, the International Development Strategy was still unfulfilled at mid-term. In addition, the crisis in the developed market economies was exerting a negative impact on the social and economic development of the developing countries. Although recessions and inflation might adversely affect the flow of resources to developing countries, they did not alter the fundamental need to reform the outmoded practices and methods in international trade and other economic relations. As was stated in the Declaration and Plan of Action on Industrial Development and Co-operation adopted by the Second Ministerial Meeting of the Group of 77 at Algiers in February 1975, foreign aggression, colonial domination and racial discrimination were still the main obstacles to the progress of developing countries.

23. Another negative influence on the economic situation in many developing countries was that of the transnational corporations, whose uncontrolled activities were a threat to normal political, social and economic development. His delegation strongly supported the just demands and aspirations of the developing countries for permanent sovereignty over their natural resources and the establishment of a new international economic order based on equality, justice and mutual benefit, as reflected in the Declaration on the establishment of that order and the Charter of Economic Rights and Duties of States.

24. The economies of the socialist countries were developing rapidly and becoming a dynamic factor in international economic life. Although those countries accounted for only 9.4 per cent of the world population, they produced over one third of world industrial output. In their international economic relations, they consistently

supported the fundamental transformation of international economic relations on the basis set forth in the Declaration. Their co-operation with and assistance to the developing countries had been described in the recent statement by the representative of CMEA (1956th meeting).

25. Mongolia was about to celebrate the fifty-fourth anniversary of the People's Revolution, which had placed it on the road to independent, democratic socialist development. As a result of far-reaching social and economic transformations, the assistance of the Soviet Union and other socialist countries and its membership of CMEA, it had become an agrarian-industrial country with a steadily growing economy. Such co-operation and assistance had been essential to bridge the gap in development levels between his country and the other CMEA members. The Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration provided for special measures to accelerate his country's development through an increasing number of bilateral and multilateral projects. At present, the average growth rate of Mongolia's GNP was almost 7 per cent, its national income 5.5 per cent and its industrial output 9.6 per cent.

26. The success of the current session of the Economic and Social Council might be measured by its achievements in advancing the preparation for the seventh special session of the General Assembly, which would concentrate mainly on giving effect to the principles and purposes of the Declaration on the Establishment of a New International Economic Order and the Charter of Economic Rights and Duties of States and would thus become a landmark in the promotion of economic decolonization.

27. The complexities of the issues destined to bring about fundamental changes in the international economic relations inherited from the past should not serve as an excuse for delaying a solution to the pressing problems of those relations. The interdependence of the international community, which had been emphasized by some representatives, was not an entirely new phenomenon; it was, in fact, only co-operation between States based on equal sovereignty, non-interference, non-discrimination and mutual benefit.

28. His Government would study the report of the Group of Experts on the Structure of the United Nations System carefully and would support changes which would really increase the efficacy of the Council and other United Nations organs in social and economic matters. Restructuring should not, however, be made and end in itself at the expense of the solution of fundamental problems. Any changes introduced in the United Nations structure should not contravene the purposes and principles of the United Nations Charter.

Mr. Longerstaeey (Belgium), Vice-President, took the Chair.

29. Mr. SCHWARTZ-GIRÓN (Spain) expressed the regrets of the head of his delegation at being unable to attend the meeting

30. The world economy was not in a healthy state and it was impossible to see when or how it would recover. In view of the continuing problems of hunger and underdevelopment, there was no room for optimism in the short or medium term, while the disruption caused by the sudden rise in oil prices had merely emphasized the fact that the crisis was not merely of a cyclical nature, but stemmed from a world economy that was structurally unsound. In particular, the market mechanisms must be restructured in view of the economic interdependence to which reference was constantly being made and which meant that the national growth of a few implied accelerated growth for the majority. The difficulties confronting nations were common to all and differed only in their appraisal in the light of each one's domestic situation.

31. During the coming six months, a more hopeful period should be opening under the inspiration of the Council and the seventh special session of the General Assembly, culminating in the regular session of the General Assembly. Spain was one of the signatories of the OECD declaration of 28 May 1975 on relations with developing countries. His delegation would do its best to contribute to the work of the special session and it agreed with the President that the current session of the Council must lay the foundations for its success.

32. Referring to the report of the Group of Experts concerning a new United Nations structure for global economic co-operation, on which he reserved his Government's position, he said that if, as was suggested, the Council was to be revitalized and to remain in permanent session, its membership should be universal. If some of its subsidiary committees and commissions were dispensed with, that would further reduce the number of countries able to make known their views to the Council, and if an annual ministerial session was to be held to consider the most important questions, it would be even more unjust to exclude any country from membership. Admittedly, it was not easy to make universality function effectively; but that was one of the inconveniences of parliamentary democracy: if there was parliamentary democracy, there must be universality.

33. Spain was now ending its term of membership of the Council and, in line with its increasing development, had played an ever-growing part in the Council's activities. There were four matters in which its participation in the economic and social system of the United Nations had been particularly satisfactory to his Government. Firstly, it had announced during the past year that it was finally able to give up the UNDP indicative planning figure and become a net donor, thus demonstrating its conviction that UNDP's assistance should be devoted to accelerating the development of the poorest countries. Secondly, his country had played an active part in the transfer of science and technology to the developing countries and hoped that an international conference or special session of the General Assembly devoted to science and technology would take place before the end of the decade. Thirdly, Spain had participated in investigations of the activities of transnational corporations, thus using its own ample experience in that matter for the benefit of all. Lastly, his Government welcomed the recent establishment in Spain of the

headquarters of a new United Nations body, the World Tourism Organization. Spain was one of the world's leading countries in the tourist industry and had acquired immense experience in that field which it intended to place at the disposal of countries wishing to develop their tourist industry.

34. Mr. TOBAR (Ecuador) said that the present session of the Council was of particular importance, both as the culminating point in the mid-term appraisal of the International Development Strategy and as a preparation for the seventh special session of the General Assembly. It provided an opportunity to identify past successes and failures and to lay the foundations for a new strategy for the future.

35. All countries were to a greater or lesser degree affected by the present chaotic world economic situation and their difficulties could not be overcome within the present system. The only course, therefore, was to make a determined effort of international co-operation to change the present structures in the light of a new conception of the obligations of international interdependence. So far, no agreement had been reached between those who stubbornly supported the retention of the present system and those who advocated a new approach.

36. The United Nations was the best instrument available to mankind for achieving understanding. Its work for the establishment of world peace and the liberation of colonial peoples during the 30 years of its existence gave grounds for hope that it could play an equally effective role in the economic and social salvation of the third world. The essential condition for that, however, was the political will of the developed countries; in the absence of such will to lay the foundations of the new international economic order, any form of negotiation within or outside the United Nations system, was meaningless.

37. The general lines of the new order had received the support of many developed countries. It was to be hoped that friendly negotiation and constructive dialogue would enable States which still had reservations to revise their position and agree to the restructuring of the International Development Strategy in accordance with the principles enshrined in the Programme of Action and the Charter of Economic Rights and Duties of States approved by the General Assembly. The studies prepared by UNCTAD and the regional commissions fully justified the demands of the Group of 77. There could be no doubt that the failure of the Strategy was due in large part to the existence of a system of trade which exclusively favoured the developed countries.

38. For that reason, a global solution had been proposed for all the problems of production, marketing and prices of commodities. Experience with the existing international commodity agreements showed that such machinery was insufficient to ensure adequate marketing. Co-operation among the developing countries themselves was essential for the creation of new producers' associations and the strengthening of those already existing. The only solution to the problem of prices lay in indexation, the introduction into the international sphere of one of the regulatory measures used by the developed countries in their own

markets. For products which could be stored, the establishment of buffer stocks was essential, and for perishable products the adoption of machinery to ensure access to markets in fair conditions for the producing countries. The GSP had not yet been extended to all and it was regrettable that one of the great Powers had tried to use it as a means of exerting political pressure. The energy problem had been distorted by the spokesmen of the transnational corporations, who had tried to present it as the sole cause of the economic crisis, when in reality the disequilibria of the trading and monetary systems imposed by the industrialized world were the real cause.

39. The time had come to cease making theoretical declarations and to start specific negotiations. His delegation hoped that all Members of the United Nations would recognize the need for a change in policies and methods and would give a formal undertaking to set in motion the necessary machinery for the introduction of the new international economic order. The provisional list of topics submitted by the Group of 77, which represented a minimum basis on which negotiations should be undertaken, should be adopted.

40. Mr. MILLS (Jamaica) said that the general debate had revealed that the main preoccupation of participants was the forthcoming seventh special session of the General Assembly. The current session of the Council provided an opportunity to assess the real meaning of the cautious processes which had been taking place over the past few months as delegations had sought to establish an appropriate atmosphere and to outline a particular set of issues for negotiation. Clearly, there had been a remarkable change in the atmosphere which could be attributed to the determination of all delegations to work in harmony. A second remarkable achievement had been the emergence of the issue of the new economic order as a topic of first importance, an achievement due primarily to the persistence shown by the developing countries. Since that persistence seemed to have upset some developed countries, he would like to point out that the developing countries had done neither less nor more than other groups of people in the face of accumulated feelings of neglect or disadvantage. The history of both developed and developing communities was full of examples of such pressures and it was not fair to regard the actions of the developing countries as unusual, unwarranted or intemperate. They were merely a measure of the difficulties they had faced in gaining acceptance of their basic premise that fundamental changes were needed in the international economic system if they were to have an acceptable future.

41. Negotiations on matters of substance should now be started. That would require a change in style and approach on the part of all countries, developing or developed, and the dominant question was whether that point had been reached or would be reached in time for the seventh special session.

42. Among the factors contributing to the progress already achieved were the emergence of positive and favourable attitudes on the part of a number of developed countries and the recent economic and political events which had created the general feeling that the world must

be set on a different course if lasting progress and a viable system of international co-operation were to be achieved. As a result, a gradual review of assumptions, basic attitudes and beliefs was becoming apparent. There was evidence of a firm resolve on the part of some developed countries to move forward on a constructive basis, while others revealed no clear change of attitude. Even the latter, however, were preoccupied with the issues and aware of the serious challenge to old systems and beliefs, a challenge which had been made more potent by reason of the differences of view within those countries. The fullest advantage, therefore, must be taken of the new atmosphere.

43. A full understanding of the conception of the changes which the developing countries felt must be made in international economic relations was still far from being achieved. His delegation urged the developed countries to pursue the process of review and rethinking, and to recognize that the present economic system had been developed by subordinating the legitimate aspirations of peoples to the interests of the technologically advanced and more powerful societies. Without fundamental changes in the assumptions underlying the present system and in the machinery which operated it, there was no hope of significantly changing the prospects of the peoples on the other side of the system. The developing countries, too, must show greater understanding and not allow past considerations to be an obstacle to their progress.

44. The third world propositions were sometimes described as being based on "theological" foundations but they were no more so than the doctrines of "*laissez-faire*" and "market forces" of the industrialized countries. He urged the developed countries to have faith in the future and to cast aside their fear that the significant gains which the developing countries must make would lead to their own decline.

45. Much had been said about the forthcoming seventh special session of the General Assembly. His delegation welcomed the improvement in the general atmosphere but felt that it would be a mistake to underestimate the degree and nature of the improvements in the international economic system and in economic relations which must be made if the position of developing countries was to be advanced significantly. His delegation hoped that the improved atmosphere would lead to more frank and thorough approaches to the particularly controversial issues. Although the short time available would impose a limit on what could be attempted at the special session, his delegation was confident that the session could mark a major turning-point in international relations, for the challenge concerned not merely the position of the developing countries, but the future of the world.

46. He hoped that the report of the Group of Experts concerning a new United Nations structure for global economic co-operation, on which he had had the honour to serve, would receive favourable acceptance.

Mr. Akhund (Pakistan) resumed the Chair.

47. Mr. FASLA (Algeria) said that the present session was of particular importance in providing an opportunity for

members to appraise each other's willingness to work for success in international economic co-operation.

48. The crisis affecting international economic relations was all the more serious in that it imperilled the development of the developing countries. For the last few decades, the industrialized world had been assured of constant stability in its economic growth by the large profits derived from the exploitation of the natural resources of the developing countries. The developed world, however, had given only scant attention to the situation of the poor countries and had shown no political willingness to find viable and permanent solutions for the problems of development. The solutions which had been recommended were of a provisional and not a fundamental nature. Instead of curing the evil, efforts had been made to palliate it from time to time.

49. The monetary system, which was largely dominated and controlled by the developed countries for their own personal and national interests, had been disrupted by the unilateral decisions taken in 1971, which had accelerated the crisis that was to affect, first and foremost, the rich countries themselves.

50. The transnational corporations, which could play an important part in the promotion of international co-operation, had often displayed uncontrolled greed and had not hesitated to intervene in the internal affairs and violate the sovereignty of the host country in order to obtain large profits.

51. His delegation looked, however, to the future, which it hoped would be full of promise and would place a proper emphasis on human dignity and the right to a decent life, without hunger or poverty, illiteracy or disease. To achieve that purpose, the international community would have to agree to place development at the centre of its concerns and to take effective action in that direction.

52. The world economic crisis had perhaps been helpful in so far as it had enabled all countries, large and small, to become aware of the interdependence of their economies. That interdependence should be constantly borne in mind and should guide the members of the Council in their search for solutions for the present problems. There was little choice in the world of to-day: nations must engage either in co-operation or in confrontation. Just as co-operation could be beneficial and safeguard peace, so could confrontation lead to violence and its accompaniment of human suffering and misery.

53. His delegation considered that the seventh special session of the General Assembly should be the logical follow-up to the sixth special session and should make a substantial contribution to the establishment of the new international economic order, the principles and directions of which had been clearly defined in the Declaration and Programme of Action, and later in the Charter of Economic Rights and Duties of States.

54. It was impossible for the world to develop harmoniously without some planning or regulation of international economic relations and some large-scale projects

for development. His own delegation took a pragmatic approach to that problem and found it difficult to agree that the complete freedom of business enterprise in its broadest sense, and the law of the market in its most traditional form, constituted a guarantee for success in the economic field. It was impossible to accept that view when most developed countries were talking at the national level about indicative planning, programmes, controls and so forth and when it was well known that the transnational corporations and banks constituted the most highly developed tool of economic liberalism and possessed the best planning offices for drawing up schemes for sharing markets and fixing the prices of the raw materials which they exported or imported and of the manufactured products which they produced or exported. That view was unacceptable in the light of the knowledge that one or more countries completely controlled the monetary system, could act as they pleased with regard to currency and could increase or decrease their buying power in their own exclusive interests.

55. The sixth special session of the General Assembly had aroused great interest in both the developed and the developing countries, particularly in the intellectual and academic circles. Seminars, symposia and meetings on the new international economic order had been organized in all parts of the world. It was his belief that the developed countries, with the important resources at their disposal, could convince public opinion that the occasional sacrifices which their peoples were called upon to make would be in their own interest, since sooner or later they would provide a guarantee for world economic stability.

56. The struggle against under-development was essentially a national task, but the efforts of the poor countries would be in vain unless they were able to count on foreign and international assistance for some time to come. Co-operation between countries was an essential element in the new economic order. The neutral OPEC countries were an integral part of the third world, whose aspirations they shared and with which they were co-operating in a spirit of solidarity. There had been much idle talk about the fabulous financial resources of the OPEC countries, but the central banks of the rich countries were concealing enormous financial resources and no one spoke about the tremendous financial assets of the transnational corporations.

57. His delegation welcomed the emphasis that a number of speakers had placed on the need for a dialogue, for the value of dialogue had always been one of the fundamental points of his Government's national policy. Nevertheless, in order to yield results, a dialogue had to be based on real political willingness to co-operate to improve the lot of mankind, to correct the injustices inherited from the past and to replace relationships of economic domination by relationships of co-operation. Dialogues should go beyond statements of good intention and should lead to action. To prevent any misunderstanding, he wished to make it clear once again that such fundamental principles as the national sovereignty of States over their natural resources was a matter which was not negotiable. The International Development Strategy must be adapted to the needs of new

situations at a time when national sovereignty over natural resources was becoming increasingly recognized.

58. His delegation fully supported the ideas of the Group of 77 concerning the agenda for the seventh special session, and for the revision of the International Development Strategy (E/5693, annex IX), particularly with regard to the need to prevent waste and duplication in the work of the United Nations in promoting international relations and proper planning. It also supported the idea that UNIDO should be given the status of a specialized agency of the United Nations.

59. Mr. MARTÍNEZ (Argentina) said that one of the subjects which had aroused the greatest interest during the present session of the Council was the mid-term review of the International Development Strategy.

60. Circumstances which were not always under the control of countries and peoples had brought about far-reaching changes on the international scene and in the polarization of world power. A factor to be borne in mind in the review and appraisal of the International Development Strategy was the new attitude adopted by the developing countries, especially in the past two years. The dissatisfaction which the developing countries had shown in 1973 still existed but those countries had decided to reduce the areas of confrontation and to concentrate their efforts on specific points which offered opportunities for international co-operation with the industrialized world. It had been the desire to achieve a real consensus in the establishment of a new international economic order, for example, that had led the non-aligned countries to promote the convening of the sixth special session of the General Assembly.

61. The 15 years which had passed since the adoption of the first programme for international economic co-operation had been marked by many frustrations. The developing countries had come to realize that the development process was a slow one, full of obstacles and confronted at every step not only by "realities" but also by political attitudes of countries that were trying to disavow the responsibilities which interdependence laid upon all countries. The countries which had practised policies in the past which were incompatible with the goals of the International Development Strategy were generally those which were now refusing to accept the principles of the new international economic order and which were attaching minor importance to co-operation for development in their national policies. Nevertheless, his delegation continued to believe that the main strength of the new order lay in making development a key factor in the foreign policy of all countries in the international community.

62. His delegation considered that the mid-term review and appraisal of the International Development Strategy should provide an opportunity for adapting that Strategy, as a global tool, to the needs and guidelines reflected in the Declaration and Programme of Action adopted at the sixth special session of the General Assembly, together with the more specific objectives drawn up by the international community at recent conferences.

63. Another important question upon which the developing countries had reached agreement was that of energy and other commodities, a question which was still in the process of negotiation between the developing countries and the major industrial countries. The best way of putting that agreement into effect would be by making it a subject of analysis and discussion within the United Nations system. As a preliminary step, there should be a specific reference to the subject in the revised International Development Strategy.

64. With reference to the strengthening of international co-operation in the field of industrial development, he noted with particular satisfaction that there was an increasing consensus on the need to make serious efforts to increase the participation of the developing countries in world industrial production, as an essential means of contributing to their economic and social development. In accordance with that new spirit, embodied in the Lima Declaration and Plan of Action on Industrial Development and Co-operation, any adaptation of UNIDO to the new objectives, both budgetary and organizational, must be fully accepted by the international community in order to make that organization more effective and to extend its benefits to all the developing countries.

65. A clear distinction should be made between the review and appraisal of the International Development Strategy, as a part of the new economic order, and the next steps which the international community should take to arrive at effective agreements and tangible results in their implementation. He referred in particular to the seventh special session of the General Assembly: the careful selection and concentration of topics for that session was the best way of ensuring practical results, but it should not be forgotten that the action to be taken was designed to ensure the achievement of the quantitative and qualitative objectives set in the International Development Strategy.

66. In his opinion, the seventh special session of the General Assembly would be a real test for determining to what extent the discussion at the present session of the Council had been heard and interpreted. The efforts which both the developed and the developing countries were making there would help to set the new international economic order in motion. He hoped that that important meeting would not result in documents which, as was so often the case, were loaded with reservations or escape clauses.

67. The developing countries had preferred to select topics which would allow efforts to be concentrated on the adoption of a small number of inter-related measures. The General Assembly might, however, have to include in its decisions questions which were under consideration in other forums outside the United Nations system. He referred in particular to the multilateral trade negotiations going on in GATT and the work being done in the Interim Committee of the Board of Governors of IMF on the International Monetary System. There should be no delay in defining a broad political base which would make it possible to apply the principles concerning differentiated treatment and the equitable participation of the developing

countries in the international, commercial, financial and monetary decisions adopted during the past two years.

68. There had been no practical response to the proposals made by the developing countries for a comprehensive programme which would provide for the gradual reduction and elimination of tariff and non-tariff barriers which were preventing the access of their exports to the markets of the developed countries. The GSP which had at one time been considered a step forward, was now threatened by the appearance of discriminatory systems of vertical preferences. Moreover, the possible benefits of the GSP had been limited by delays in its implementation by important industrial countries or by their refusal to include products of interest to the developing countries, especially agricultural products or products with a high degree of processing.

69. The General Assembly would also have to include in its decisions a reasonable forecast for the future. His delegation hoped that it would be possible to conclude agreements which would make it possible to achieve additional progress in meetings such as the fourth session of UNCTAD, to be held in May 1976. The concertation of global efforts in the sphere of international development co-operation called for renewed efforts on the part of all countries, developed and developing, and the results of that co-operation would depend on the political will of all.

70. Among the items on the Council's agenda was the report of the Commission on Transnational Corporations on its first session (E/5655 and Corrigendum) which showed that much remained to be done in the Commission's programme of work. The formulation of a code of conduct for transnational corporations should of course have top priority; his delegation wished to emphasize that point, which it thought should form part of any new international economic order.

71. At the fifty-seventh session of the Council (1910th meeting) his delegation had drawn attention to the need for an exhaustive definition of the principle of the full, permanent and inalienable sovereignty of States over their natural resources. It had also referred to the work to be done by the Committee on Natural Resources, taking into account a general plan of action for all the programmes of the United Nations system related to natural resources. At its fourth session, the Committee had done a great deal of work which had enabled it to submit four draft resolutions for adoption by the Council (E/5663, chap. I). His delegation thought that those resolutions deserved unanimous approval. In view of the fact that his country had offered to serve as host to the United Nations Water Conference, to be held in March 1977, he wished to draw attention only to draft resolution II, which related to the preparatory work for that Conference and provided for the Council to authorize the Committee on Natural Resources to act as the preparatory committee for the Conference.

72. The Council also had before it the report on the third session of the Governing Council of UNEP (E/5710), which described the progress made by that body. UNEP had taken into account the Declaration and Programme of Action on the Establishment of a New International Economic Order

and the Charter of Economic Rights and Duties of States and would have to adjust its work increasingly to the real needs of the developing countries and the harmonious exploitation of their natural resources which would guarantee the quality of life for future generations.

73. In conclusion, he hoped that the Charter of Economic Rights and Duties of States would serve as a guide in relations between States, between States and international organizations and between organizations, regarding the basic principles to be followed for the achievement of the new order towards which the international community was aspiring.

74. Mrs. PSIMENOS de METZ NOBLAT (International Chamber of Commerce), speaking at the invitation of the President, said that, on behalf of the Secretary-General of ICC, she wished to stress the importance the ICC attached to bilateral and multilateral relations with the United Nations system.

75. Over the past twelve months, many major countries has experienced a severe recession, owing partly to the sharp increase in the price of oil, but there were some signs, particularly in the United States of America, which gave reason to hope for an upturn of the world economy in 1976. There was, however, no room for complacency.

76. Firstly, there was a risk that over-reaction from the present crisis could lead to another bout of inflation and a sequence of sharp rises and falls in economic activity. Such economic uncertainty could halt the steady rise in living standards which all peoples had come to expect and thereby result in political and social instability. With the increasing interdependence of nations, a principle which guided the ICC in all its actions, and the interplay of cyclical practice, government policies were inadequate without the collaboration of the business community.

77. Secondly, any further increase in government expenditure parallel to a government's growing participation in the national economy might interfere with the efficient allocation of resources in that country.

78. Thirdly, although the rate of inflation was slowing down, it was still too high in most countries. The strength of a government's policy lay in its ability to maintain price stability with satisfactory levels of growth and unemployment. Harmonious relations on the labour market could only be achieved through a policy of consultation and elaboration by governments with business and trade unions. Inflation also called for urgent action in international monetary relations, since unstable exchange rates and consequent fluctuations in the price of imports made it difficult to obtain stable domestic prices.

79. Fourthly, government financial policies should encourage investment. The lower the level of profit, the lower the funds available for investment, which in a market economy could only constitute a brake on growth.

80. Fifthly, a climate of increasing confidence between government and business must be established. That would require the considered action of all those who could

influence economic events, and primarily of public authorities, intergovernmental agencies and the business community.

81. One major area where that co-operative approach was urgently required was that of global resources. There must be dialogue between governments of oil-consuming and oil-producing countries and contacts between their business circles, which the ICC was seeking to foster. Flexible procedures should be devised to promote maximum use of the resources of private enterprises and to ensure their combination with those of the public sector if energy programmes held to be in the national interest but not complying with the profitability criterion were to be implemented with maximum speed and efficiency at minimum cost.

82. It was an over-simplification to link discussions on agricultural commodities and industrial raw materials with the problems of developing countries. In practice, the interests of developing and developed countries often coincided and would do so increasingly as industrialization became widespread. Developed and developing countries should therefore jointly tackle problems arising in the production of and trade in primary commodities, bearing in mind that world prosperity would not be increased by limiting production and that an integrated approach to commodity problems might soon lose touch with reality. The ICC would submit practical proposals for the solution of those problems to the seventh special session of the General Assembly.

83. International co-operation was also needed in foreign investment in both industrial and agricultural production, in particular in the developing countries. International economic activity was the result of efforts by partners representing different interests. Although conflicts of interest might arise between foreign investors and host countries, the ICC thought that the most equitable solution would be based on the principles set forth in the guidelines for international investment set up by the ICC and adopted unanimously by business in the developed and developing countries members of ICC. Nationalization and expropriation measures could only discourage the development of world resources and thus retard the industrialization process.

84. Joint endeavour by Governments, intergovernmental authorities and world business to further the expansion and liberalization of international trade was a major contributing factor in the growth of both rich and poor countries. If the decline in world trade was to be halted, the current GATT negotiations must succeed in reducing existing tariff and non-tariff barrier to trade in manufactures and agricultural products. That success depended on the introduction of greater stability in exchange rate movements by a system of controlled fluctuations, the return to balance-of-payments equilibrium by the industrialized countries and the extension of trade concessions on a non-reciprocal basis to the less developed countries.

85. In conclusion, the ICC's views on the future were, firstly, that any concept of *laissez faire* must be rejected; secondly, that the problems confronting the modern world

had deep social and political causes and were not susceptible to purely economic solutions; and, thirdly, that international co-operation based on mutual respect and confidence was needed for the benefit of economic and social development in every part of the world. As the business community was shouldering increasing responsibilities in such development, the ICC hoped that Governments and intergovernmental organizations would show increasing understanding of the contribution which private enterprise could make to such development.

86. Mr. AGUIRIANO (International Confederation of Free Trade Unions), speaking at the invitation of the President, said that the current world problems of recession, inflation, shortage of food, unemployment, rapid population increase, deterioration of the environment and depletion of natural resources always affected poor countries more than the richer ones. Those problems could only be resolved by fundamental and far-reaching changes in the structure of the world economy. The international free labour movement had therefore welcomed the adoption by the United Nations of the Programme of Action on the Establishment of a New International Economic Order.

87. Although the international economic system based on trade and monetary liberalization established after the Second World War had contributed to raising world living standards, its capitalistic and *laissez-faire* nature had led to uneven distribution of the increase in the world's wealth, had helped to create the conditions in which multinational companies could develop and thrive and had resulted in the creation of a highly unified world economy without effective means of managing it.

88. ICFTU would revert to the gap between the rich and the poor countries and the control of multinational companies when it spoke on the relevant agenda items. With regard to the need for more effective management of the world economy, which with the present combination of depression and inflation was obvious to all, the industrialized countries had allowed their economies to expand during the 1972-1973 boom which had prepared the way for the present slump without considering the over-all effects, thus placing unprecedented pressures on world resources. In the absence of any coherent world raw materials policy, shortages had developed and prices had soared as a result of action by speculators.

89. When oil prices had increased at the end of 1973, there had been definite signs that the boom in the industrialized countries had passed its peak. At that time, ICFTU had argued strongly that oil price increases would have a deflationary effect on demand and that counter-acting reflationary measures were required. It had also advocated that oil-importing countries should meet their oil balance-of-payments deficits through internationally arranged borrowing or recycling, special provisions being made for developing countries, and that the inflationary effects of the oil price increases should be neutralized by bringing down other prices through subsidies or indirect tax reductions. Unfortunately, many governments had acted without fully considering the effects of their actions on other countries and ultimately on themselves. Inaction or

the wrong action by major countries had made the situation worse for everyone. The 10 per cent decline in the growth of world trade between 1973 and 1974 had been without precedent in the post-war period. In addition to extensive unemployment and short-time working in the industrialized countries, a return of many migrant workers to their home countries had increased the vast number of unemployed in the developing countries. There could be no possible justification for an economic system which led to the existence, according to ILO sources, of 300 million unemployed throughout the world. That was one of the most powerful arguments for the introduction of a new international economic order.

90. When trade unionists urged governments to take action to reduce unemployment and to reflate their economies, they were often told that no action was required because recovery was imminent or that reflationary action would make inflationary problems worse. World trade, however, would only begin to expand again when the major economies in the world began to expand. The situation of millions of people would continue to deteriorate until the governments in the most favourable situation took the necessary reflationary measures to ensure economic recovery and even more fundamental action to introduce a new international economic order. Purely financial incentives for investment would have no effect while capacity utilizations remained low. Emphasis must therefore be placed initially on improving public services and on making structural improvements to reduce the bottlenecks which had brought growth to a halt in many economies in 1973-1974 and which threatened any further upswings. The prime objective must be to reduce unemployment rather than merely increase output. ICFTU was appalled that some governments were willing to contemplate high levels of unemployment for several years. It recognized that some governments feared that reflationary measures would intensify inflation. Nevertheless, although the workers bore the brunt of inflation, ICFTU rejected the view that unemployment was necessary to combat it.

91. World prices rose for many different reasons and governments must develop strategies to deal with all of them. Although raw material and some food prices had fallen considerably, another price explosion was possible.

To deal with such scarcity inflation, ICFTU thought that it would be in the long-term interests of all countries to establish commodity agreements.

92. Countries must also pursue more sensible demand management policies. Instead of trying to use traditional fiscal and monetary policies to stabilize their economies, governments should create a level of demand broadly consistent with full employment of people and capital. In fact, the central role of demand management policies controlling the economy should give way to supply management policies, such as active labour market policies, measures to improve productivity, especially in low-productivity sectors, competition and consumer policies, which should be used on a continuous basis to create more flexibility and to reduce bottlenecks generating inflation. *Laissez-faire* economies recognized the tendency of businessmen to raise prices in order to obtain maximum profit and to finance future expansion, but saw free competition as the safeguard. Free competition, however, was now rare. New safeguards for the consumer must therefore be introduced. ICFTU considered that in addition to strengthening monopoly and restrictive practices legislation, direct price controls were necessary and that international co-ordination of such controls was essential in an age of multinational companies.

93. The ICFTU strongly denied that wage costs were the only factor in inflation. Governments should deal with all the causes of inflation in order to create a situation in which workers were not forced to rely on high wage increases to protect themselves against inflation and falling living standards.

94. The difficult task of creating the necessary trust between trade unions, employment and government in order to cope with economic problems such as inflation was made more difficult when unemployment was deliberately allowed to rise, but in a democracy there was no viable alternative to establishing that trust. Enforced wage restraint policies not only failed to tackle the real cause of inflation and were likely to collapse after a short time but they made such trust impossible to achieve.

The meeting rose at 6 p.m.

1966th meeting

Friday, 11 July 1975, at 10.45 a.m.

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

E/SR.1966

AGENDA ITEM 4

Regional co-operation (E/5608/Rev.1, E/5608/Add.1, E/5619, E/5651, E/5656, E/5657 and Corr.1 and 2, E/5658, E/5700; E/L.1665)

1. The PRESIDENT invited the Council to take up agenda item 4, under which it would consider the work of

the regional commissions, together with the question of United Nations efforts for export promotion and development.

2. Mr. STANOVNIK (Executive Secretary, Economic Commission for Europe), introducing the Commission's annual report to the Council (E/5651), said that he would place particular emphasis on the implications for the rest of