

69. The Commission had continued to maintain co-operation and co-ordination with the relevant regional and international organizations on development matters. In addition to the standing co-operative arrangements with the Arab Fund, the League of Arab States and ECA, it had recently concluded a similar agreement with UNEP and had entered into discussions with UNCTAD to identify areas of possible co-operation, "focal" points having already been established in both secretariats to ensure better co-operation. ECWA also intended to take an increasingly active part in working out the mechanisms for the proposed restructuring of the economic and social sectors of the United Nations system, particularly in so far as they related to regional responsibilities and decentralization.

70. In pursuance of Council resolutions 2088 (LXIII) and 2089 (LXIII) of 22 July 1977, Egypt and the Palestine Liberation Organization had been invited to participate as full members in meetings held under ECWA auspices. They had participated actively and effectively. On a recent visit to Cairo, he had had fruitful discussions with the Minister for Foreign Affairs and others responsible for economic planning and development. Once Egypt's requirements had been ascertained, consultations would be maintained with ECA and other United Nations bodies to ensure the active co-operation of the two commissions in meeting the requests of their common member. If Egypt's needs entailed additional financial resources, appropriate steps would have to be taken to secure the necessary funds.

71. Mr. MARSHALL (United Kingdom) thanked the Executive Secretaries of the five regional commissions for their valuable reports.

72. Mr. MOKHTAR (Observer for Egypt) expressed his country's appreciation of the activities towards common goals which had been conducted by the two regional commissions to which Egypt belonged. By being a member of both ECA and ECWA, Egypt was playing its historic role in consolidating Afro-Arab co-operation. He agreed with the Executive Secretaries of both commissions about the desirability of financial

and structural changes which would delegate more authority to the commissions to enable them to meet the needs of the peoples in the two regions.

73. Mr. HUMAIDAN (United Arab Emirates) thanked the Executive Secretary of ECWA for stating so clearly the contribution made by OPEC to development.

74. Mr. NESTERENKO (Union of Soviet Socialist Republics) expressed the appreciation of the socialist countries for the interesting reports of the Executive Secretaries of the regional commissions, on the basis of which it was possible to assess common elements and make comparisons. He wished, however, that they would devote more attention to the new aspects of their activities, so that the Council might have an opportunity to discuss new trends and fulfil its appointed role of making a creative contribution to the search for solutions to practical problems.

75. Mr. BARCELO (Mexico) expressed his particular appreciation of the concern shown by the Executive Secretary of ECLA about the protectionist trends in the markets of certain countries and about securing external aid to enable countries to diversify their economies and increase their industrial production. He was troubled at the lack of progress in negotiations in all forums which were of crucial importance to the establishment of the new international economic order. He supported the view that the restructuring of the economic and social sectors of the United Nations system should include decentralization and the strengthening of the regional commissions, which would serve to strengthen the system as a whole. He had some reservations, however, about negotiating processes being conducted within the region, since multilateral negotiations were required to define international co-operation.

76. The PRESIDENT welcomed the response of Council members to the reports of the Executive Secretaries, which he hoped heralded an improvement of the Council's work in that field, about which informal discussions had been held.

The meeting rose at 1.10 p.m.

27th meeting

Wednesday, 12 July 1978, at 3.40 p.m.

President: Mr. Donald O. MILLS (Jamaica).

E/1978/SR.27

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (*continued*)

1. Mr. COREA (Secretary-General, United Nations Conference on Trade and Development) said that a number of the main issues relating to the new international economic order and the North-South dialogue had been under active negotiation in UNCTAD in recent months. The United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities had been suspended in December 1977, but the General Assembly and the UNCTAD *Ad Hoc* Intergovernmental Committee on

Commodities had requested him to start consultations with a view to resuming the Conference as soon as possible, provided that a basis could be found that offered a reasonable prospect of success. He had just reported to the *Ad Hoc* Committee that there was a desire on all sides that the issue of the Common Fund should be brought to a successful conclusion and that the Fund should be established. That would require agreement on a financing role for the Common Fund in respect of measures other than buffer stocks and the provision of adequate resources for the Fund through direct contributions from Governments. There were still issues to be clarified before a consensus could be reached, but he felt that the time had come to decide on the reconvening of the Conference. It was impor-

tant for it to be reconvened before the preparations for the fifth session of the United Nations Conference on Trade and Development were under way, and he had therefore suggested that it should be held in the autumn, the precise dates to be decided in the light of the UNCTAD calendar of meetings.

2. The *Ad Hoc* Intergovernmental Committee on Commodities was currently meeting to review progress on individual commodity negotiations. Although the situation varied from commodity to commodity, progress generally had not been satisfactory; however, decisive action on the Common Fund and a sharper focus on the mechanisms and actions needed for individual commodities would help to improve matters. He had suggested that the time-table for preparatory meetings and negotiations should be extended by a year, with provision for a review of progress at the fifth session of the United Nations Conference on Trade and Development.

3. Another major task in which UNCTAD had been involved was the establishment of an individual code of conduct on transfer of technology. The Intergovernmental Group of Experts on an International Code of Conduct on Transfer of Technology had concluded its sixth and possibly final session, having reached agreement on a number of important points and identified the main issues concerning which differing views still existed between the regional groups. The Group had prepared a draft international code containing the following chapters: preamble; definitions and scope of application; objectives and principles; national regulation of transfer-of-technology transactions; restrictive practices in the transfer of technology; guarantees; responsibilities or obligations of parties to technology transactions; special treatment for developing countries; and international co-operation. The chapters on applicable law, the settlement of disputes and certain other provisions would be completed at the negotiating conference to be held at the end of the year.

4. A third negotiating exercise now under way in UNCTAD concerned the adoption of multilateral principles and rules for the control of restrictive business practices. An expert group was completing its proposals and recommendations, and the negotiations themselves were expected to take place in 1979. The subject was of particular interest to the Council, since the outcome of the negotiations would have a bearing on the work now in progress on a code of conduct for transnational corporations. It was also relevant to the question of consumer protection against the adverse effects of certain business practices.

5. UNCTAD had also been involved in a number of other activities with important objectives. At the third part of the ninth special session of the Trade and Development Board, held in March 1978 at ministerial level, a consensus had been reached on the question of the developing countries' external debt, whereby the developed donor countries had agreed to seek to adopt measures for adjusting the terms of past bilateral assistance to the poorer developing countries, so as to bring them into line with the softer terms currently applied. Great hopes were now placed on the implementation by the donor countries of that agreement, and UNCTAD had been authorized to review those countries' performance. At the ministerial session of the Board, it had been agreed that an intergovernmental group of experts should be convened in UNCTAD to deal with the question of agreed common norms for reorganizing the developing countries'

debt. Work was also in progress on the interdependence of money, trade and development, on inflation and on guarantees for export credits. The related question of the transfer of resources had long been an important issue in UNCTAD, and a paper on the subject had been submitted to the Committee of the Whole established under General Assembly resolution 32/174, at its recent session.

6. Economic co-operation among developing countries had become a major topic in UNCTAD activities. Efforts were being made to carry out the programme of work requested by the Conference on Economic Co-operation among Developing Countries, held at Mexico City from 13 to 22 September 1976, and approved by the UNCTAD Intergovernmental Committee on Economic Co-operation among Developing Countries. The subject was likely to be a prominent issue at the fifth session of the United Nations Conference on Trade and Development and other meetings, in particular the meeting of the developing countries to be held at Arusha in 1979 in preparation for that session, since it was a vital part of any global strategy for development. UNCTAD could make a decisive contribution by enlisting the support of the international community wherever possible and, more important, by helping the developing countries to reach co-operative arrangements among themselves.

7. Other topics of major concern to UNCTAD included problems in the field of shipping, special categories of countries such as the least developed, the land-locked and the island developing countries, and trade between countries with different economic and social systems—all of them equally important in international economic relations and in the quest for a new international economic order.

8. Preparations were now being made for the fifth session of the Conference, to be held at Manila in May 1979, after an interval of three years instead of the customary four. The Conference at Manila would undoubtedly be influenced by the outcome of the processes started at the fourth session at Nairobi. Success on the issues of the Common Fund and the code of conduct on transfer of technology, for example, would make for a positive atmosphere conducive to building for the future; on the other hand, negative results would seriously impair the prospects for such an atmosphere. The fifth session should meet three broad requirements. In the first place, it would have to take stock of the results achieved since the fourth session. Secondly, it should try to deal with some of the matters of major concern to the international community, in particular the developing countries, such as restrictions on access to markets, continued payments disequilibria, the lack of adequate resources, and persistent recession and inflation in many of the major industrialized countries. Thirdly, as perhaps the first major conference which could take a comprehensive view of developments on the eve of the 1980s, it should contribute to the formulation of long-term policies. In particular, it should make a major contribution to the special session of the General Assembly to be convened in 1980 and to the global development strategy for the coming decade.

9. The preparations for the fifth session of the Conference were taking place in a climate of continuing anxiety about the development of international economic relations. Two conclusions were beginning to emerge. The first was that the current difficulties were not merely cyclical; they could not be corrected by a

return of the industrialized countries' economies to the pre-crisis patterns, but were symptoms of deeply-rooted problems calling for structural changes and adjustments. The second conclusion was that there was now a growing awareness of the need to view the development of the third-world countries as an integral part of policies aimed at improving the whole international economy. That awareness could help to inject a new dynamism into the international negotiating process.

10. Mr. NETTEL (Austria) said that the debate had revealed an awareness of interdependence and the need for structural change, but had also brought out the uncertainty that still existed regarding specific action to overcome the dangers inherent in the present situation. Governments were caught in a dilemma; they were called upon to take far-reaching decisions to bring about world economic recovery and speed up world development, but they were reluctant to take on new responsibilities at a time when they were faced with increasing problems both nationally and internationally. The present situation was one in which either action or inaction would have a long-lasting impact on future forms of international co-operation.

11. Closer international co-operation was more vital than ever. Bold decisions would be required in trade, energy and finance, in order to restore the confidence that was essential for the growth of the world economy. Every country would have to participate in the process, but the large industrialized nations had a special responsibility. Regional organizations, such as the Council of Europe, the European Free Trade Association and the regional commissions, could make a valuable contribution. He welcomed their active interest in issues related to the management of interdependence and to changes in the structure and balance of the world economy.

12. The United Nations must take the lead in global discussions on international economic co-operation and development, preferably through the Committee of the Whole established under General Assembly resolution 32/174. The Committee of the Whole was a highly political body, because it was called upon to provide national and international decision-makers with guidance on a number of intricate problems involved in the task of building a new international order. His Government was not discouraged by the lack of success at the Committee's first session, which had been the result of inadequate preparation and consultation between groups. One of the Council's most urgent tasks was to ensure that future meetings of the Committee of the Whole would produce useful results. To that end, participants should avoid arriving at meetings with diametrically opposed positions, but should consult each other in advance in order to select areas where there was a convergence of views based on common interest and then try to extend the margin of agreement. The Committee of the Whole was a new kind of instrument and required fresh ideas and an imaginative approach.

13. In order to strengthen international economic co-operation, every effort would have to be made to stem the rising tide of protectionism and maintain an open multilateral trading system. He hoped that the multilateral trade negotiations would be concluded as soon as possible and that they would stimulate the further freeing of international trade, both among industrialized countries and between developing and developed countries. International trade in raw materials

was a matter of special concern. He was confident that a willingness to make reasonable concessions could open the way to the successful conclusion of the negotiations on the establishment of the Common Fund, which could have a beneficial influence on the implementation of the Integrated Programme for Commodities and on the future development of the North-South dialogue.

14. It was now universally recognized that energy was the key to economic and industrial development. His country had a special interest in non-conventional sources of energy and welcomed the report of the Secretary-General on the feasibility of holding an international conference on new and renewable sources of energy (E/1978/68 and Add.1). It greatly appreciated the excellent report of the Secretary-General on research in non-conventional sources of energy (E/C.8/56 and Corr.1), prepared in response to Council resolution 2031 (LXI) of 4 August 1976.

15. His delegation had noted with satisfaction that the General Assembly at its tenth special session, devoted to disarmament, had fully recognized the close relationship between disarmament and development and had emphasized that expenditure on arms was a colossal waste. There had been unanimous agreement that resources released as a result of disarmament should be devoted to economic and social development for all nations and to bridging the economic gap between developed and developing countries. His Government looked forward to the expert study to be produced by the Secretary-General on the relationship between disarmament and development.

16. The division of the world into rich and poor countries could be overcome only by more vigorous and far-reaching forms of international co-operation. Policies were needed which would benefit both developed and developing countries, while taking into account the special needs of the latter. The policies and programmes referred by the Secretary-General in his opening address to the Council should be carried out as soon as possible in order to stimulate world economic development without inflation.

17. Science and technology had a vital part to play in promoting growth. The successful transition to a new international economic order would depend largely on the innovatory capacity of society, and hence on the strengthening of the scientific and technological capacity of countries, their research and development effort, particularly in the social field, and their ability to apply science and technology to the problems of development. The United Nations Conference on Science and Technology for Development would offer an excellent opportunity of achieving that fundamental objective. His country, as host to the Conference, would do its utmost to contribute to its success and would spare no effort to provide the best possible organizational facilities.

18. The world was now in the painful process of transition from an old to a new international order. The post-war system, which had provided a stable framework for international economic and monetary relationships for some 30 years, had run into serious difficulties. The world had become more complex, the number of parties involved had multiplied and differences in aims and national ideas had become more acute. He fully endorsed the conclusion of the Committee for Development Planning that the need for the effective and equitable management of the global economy had never been greater (E/1978/46, para. 38).

The task of constructing and reconstructing international economic institutions could be undertaken only on a basis of common understanding. From the intensive debates over the past three or four years, the basic tenets of a common understanding would appear to be that (a) the limits to sustained economic growth and faster development were political rather than physical, (b) development required far-reaching national and international changes, (c) development should serve people and their basic needs, not the reverse, (d) massive transfers of resources were needed to reduce the gap between rich and poor countries, and (e) further development in the world economy could be ensured only through closer co-operation between developed and developing countries.

19. With those considerations in mind, his delegation agreed with the suggestions by the Netherlands representative (22nd meeting) concerning a programme of work for the coming year consisting of a limited number of topics on which to concentrate in order to achieve real results. The immediate concern at the present session should therefore be to seek agreement on the organization and scope of the further work of the Committee of the Whole and on the restructuring of the economic and social sector of the United Nations, and particularly of the Council.

20. Mr. BLANCHARD (Director-General, International Labour Office) said that the ILO, after a period of severe difficulty, was now on the road to recovery. The departure of the United States of America from the Organisation had, of course, been a setback and had reduced its financial resources by one quarter. Many representatives at the International Labour Conference had regretted that country's absence and hoped that the Organisation's universality would soon be restored. However, the Organisation had been able to pursue its major objectives by means of smaller-scale operations, balanced programme reductions and voluntary contributions both from States and from employers' and workers' organizations, whose generosity he acknowledged. The Organisation had, in fact, recently admitted two new members—Botswana and Djibouti.

21. There was an evident easing of tension, as well as growing interest in the specific aims of the Organisation. Four international instruments had been adopted at the 64th session of the International Labour Conference, which had just ended. The conciliatory spirit shown, moreover, had not been limited to technical matters; for example, the question of supervising the application of international labour conventions, particularly those related to human rights, had not aroused the bitter controversy encountered earlier. Likewise, debate on the ILO institutional structure seemed to have emerged from deadlock, and it was possible to foresee a solution which would enable it to adjust to present needs, while preserving its effectiveness.

22. The Conference had taken two important political decisions: the admission to the ILO, without opposition, of Namibia, and the condemnation of *apartheid* by the Conference at two special plenary meetings. On the subject of assistance to liberation movements in southern Africa, an over-all plan had been worked out in agreement with OAU and the liberation movements themselves. It included fellowships, courses and vocational training projects, to be financed by UNDP, and was already being put into effect.

23. In 1980, the General Assembly, at a special session, was to review progress towards the establishment

of a new international economic order and draw up a new strategy, for which preparations had already begun. The Joint Meetings of CPC and ACC in that connexion had dealt *inter alia* with the problem of "basic needs". That concept had seemingly become separated from the context in which the World Employment Conference¹ had placed it—namely, the problems of unemployment and under-employment, which, in the developing countries, now affected almost 300 million persons and could affect 1 billion by the year 2000 unless vigorous remedial action was taken. The traditional development policies pursued hitherto had not overcome the problem. The unemployed and under-employed in the developing countries generally consisted of the very poor and under-nourished, who lacked education, skill, access to means of production and scope for productive employment to meet their own needs—a situation which in turn hampered growth and job creation.

24. Faced with those facts, the World Employment Conference had expressed three convictions. Firstly, not enough attention had previously been given to the capital-labour relationship in production; more manpower for a given unit of capital, technology better adjusted to requirements, and much higher levels of skill were decisive factors for development in terms of both economic growth and employment. Secondly, more vigorous national expansion of productive employment might help the self-sustained development of the less developed countries by permitting a more productive use of their human resources; for example, improved agricultural productivity and distribution could result in reduced food imports, as well as increased export earnings for industrial equipment purchases. However, basic needs could not be satisfied without intensive industrialization, which would moreover raise income, thereby boosting domestic markets for goods and services and stimulating capital formation and infrastructure development. Thirdly, such measures or policies would make sense only in the context of a new international division of labour and economic relationships, particularly in the field of international trade—a context essential for the growth which would provide the necessary investment capital to satisfy basic needs and thereby generate further employment and growth.

25. Thus, all national development strategies, including those aimed at meeting basic needs, had an international aspect; the least fortunate countries, for example, could not overcome poverty without considerable assistance and co-operation from abroad, particularly with regard to changes in production structure and international trade, on which the development of the third-world countries so largely depended.

26. One consequence of the increasing exports of manufactured goods from such countries to the industrialized countries was, of course, that the adverse effects of the resultant competition on certain industries already hit by economic stagnation might lead to the temptation of protectionism—a remedy worse than the disease in the long run. An enlightened approach was therefore required to the idea of industrial restructuring and adjustment policies as an essential corollary to that of a new world equilibrium. Adjustment policies, although involving complex interaction, had proved

¹ Tripartite World Conference on Employment, Income Distribution, Social Progress and the International Division of Labour, held at Geneva from 4 to 17 June 1976.

effective; moreover, increased export earnings for the developing countries would enable them to pay for imports from the industrialized countries. All countries, therefore, would benefit from co-operation for development on the basis of general interdependence.

27. To isolate the "basic needs" approach from the context he had outlined would be hazardous. It was not a mere charity measure put forward as an alternative to the growth strategy, but an instrument to promote growth by creating economic infrastructures and employment. Such an approach would in no case infringe national sovereignty; each country would exercise sovereignty in determining its own development policy. In any case, the "basic needs" approach implied no uniform pattern in employment policies, which had to be suitable for particular national conditions and subject to periodic revision, since poverty was a relative and changing concept. What the approach did call for was a political will, at both the national and international level, which had often been lacking but to which the new development strategy should give shape and vigour.

28. The ILO was pursuing its efforts to give effect to the conclusions of the 1976 World Employment Conference; an interim report on recent developments, both in the ILO and elsewhere in the United Nations system, was given in the note by the Secretary-General on the implementation of the Programme of Action adopted by the World Employment Conference (E/1978/88). In 1979, the International Labour Conference would review progress and difficulties, on the basis of reports from the Governments of member countries; the findings, supplemented by any views the Council might express, would be a valuable guide for the future.

29. Building for the future would depend primarily on national efforts and expectations, but also on international co-operation, whose nature and form would be determined by the new strategy. Growth, job creation and the satisfaction of basic needs should all form part of the endeavours, so that the new international economic order might be attended by social justice between and within nations.

30. The PRESIDENT welcomed the comments by the Director-General of the International Labour Office with regard to basic needs. He hoped the Council would take advantage of the opportunity to discuss the matter and that the discussion would be further pursued in any other appropriate form of the United Nations.

31. Mr. FARTASH (Iran) said that the current period was marked by uncertainty about the immediate and long-term prospects of the world economy. The *World Economic Survey, 1977* and other documents offered little hope of any immediate increase in the real growth rate of developing countries. The international community had been able to identify the fundamental areas of concern and the specific hard-core problems; action was now needed to reverse the downward trend. Genuine efforts had to be made to bring about the structural changes required for the establishment of the new international economic order. The lack of resolve on the part of the international community, and particularly the major industrialized countries, was disquieting.

32. After the failure of the Conference on International Economic Co-operation to live up to expectations, there had been another phase of inconclusive

discussion by the Committee of the Whole. In order to be fruitful, the Committee had to open up prospects and areas of agreement on important questions. While the Committee was not required to act as a negotiating forum for specific issues that were under consideration in other bodies of the United Nations system, one of its main functions was to monitor the implementation of agreements reached in the negotiations on the establishment of the new international economic order. A number of such agreements had already been reached by consensus between developing and developed countries. The Committee of the Whole was therefore in a position to identify the measures still to be implemented and to make appropriate recommendations on them. It was regrettable that, despite an overwhelming convergence of views, the Committee at its first session had failed to achieve results because of differences on the interpretation of its mandate. His delegation hoped that the Committee would do better at its next session.

33. While agreeing with many of the conclusions reached in the *World Economic Survey, 1977*, his delegation could not accept all the assumptions on which those conclusions were based, particularly in view of the report's lack of orientation towards the vital issue of development. The Leontief study on the future of the world economy² indicated that even if the growth targets envisaged by the International Development Strategy for the Second United Nations Development Decade were reached by developing countries and maintained to the year 2000, the gap between the rich and the poor nations would remain as great as in 1970. In order to narrow the gap by half, considerably higher growth rates would be required in the developing world in the 1980s and 1990s, with growth rates in the industrialized world remaining at a lower level. Far-reaching internal changes would be needed in developing countries, together with significant changes in the world economic order. The study also noted that balance-of-payments problems would place a serious limitation on the growth of many developing countries in the coming 25 years, unless a wide range of international trade, aid, price and financial reforms were introduced.

34. Against that background, it was distressing to note that official development assistance provided by the developed countries was less than half the 0.7 per cent target set by the International Development Strategy. A continuous and increased flow of financial resources was essential for the developing countries, particularly those at lower-income levels. The international monetary system should be made more responsive to the requirements of the international community, and particularly of the developing countries.

35. The role of IMF and its supplementary credit facilities could be further expanded to meet the needs of the developing countries, through a review of the conditions attached to drawings on IMF, the creation of long-term machinery and the further liberalization of the compensatory financing facilities. Although the IMF credit facilities had been effective for dealing with short-term imbalances, one of the longer-term solutions to the balance-of-payments problems of the developing countries, which were mostly of a structural nature, lay in the prompt revision of quotas. The sev-

² W. Leontief et al., *The Future of the World Economy: a United Nations study* (New York, Oxford University Press, 1977).

ent general review of the quotas was unfortunately long overdue.

36. The international trade situation was also discouraging. Indications of a massive slow-down in the volume of world trade reflected the inability of the present world economic order to cope with structural inequalities and adjust to periodic fluctuations. The conditions governing world trade had had a disruptive effect on the economies of the developing countries and adversely affected their terms of trade, further aggravating their debt burden and consequently worsening their balance-of-payments position.

37. The adoption of protectionist measures by many developed countries had also helped to reduce the export earnings of developing countries. Fluctuations in the volume and prices of raw materials and commodities in 1977 had strengthened the conviction that machinery was needed to stabilize commodity markets.

38. Insufficient progress had so far been made in the individual commodity negotiations under the Integrated Programme for Commodities. There seemed to be wider agreement on the main points of divergence which had led to the suspension of the Common Fund negotiations. A few Governments, however, still had to exert the political will for the negotiations to be resumed on a sound footing.

39. Unless major steps were taken to meet the objectives of the new international economic order, the restructuring of the economic and social sectors of the United Nations would be taking place in a vacuum.

40. The United Nations Conference on Science and Technology for Development would provide the international community with an opportunity of dealing extensively with a crucial area of international co-operation.

41. Although a number of long-term targets and priorities for the Second United Nations Development Decade would still be relevant in the 1980s, the strategy for the third decade should be in accordance with the principles and objectives of the Declaration and the Programme of Action on the Establishment of a New International Economic Order.

42. Mr. KHANE (Executive Director, United Nations Industrial Development Organization) said that industrialization played a central role in all development policies; if there were limitations on the rate of industrialization, all economic and social progress might be brought to a halt. It was feared in some quarters that the industrialization of the developing countries might produce unwelcome changes in the global economic and political balance. He believed, on the contrary, that the faster the rate of industrialization in the developing countries, the more quickly could aggregate demand be stimulated and the world economy reflat. Developing countries would long continue to require manufactured consumer goods to meet their various basic needs, as well as capital goods and machinery even for the most elementary industrialization. Unless they had the means to pay for those items, there was a prospect of international confrontation rather than of a new international economic order.

43. The new international economic order should be viewed not only as a fairer relationship between the developed and developing worlds but also as a better system of world management. If the developing countries were to buy what they needed for industrial development, thereby stimulating world demand, they

should be allowed to pay in the form of the simple products they were able to offer. If they were paid reasonable prices for their industrial goods and raw materials, or if they were charged lower prices for their imports, there should be no fear that they would cause problems in the developed countries by flooding foreign markets with their exports. Such steps should enable the world economy to move towards the steadier growth required for the achievement of other objectives of the new international economic order, particularly the eradication of poverty, on which widespread concern had been expressed. A spokesman for the OECD Development Assistance Committee had rightly observed that, while economic growth might occur without benefiting the mass of poor people, poverty could not be relieved without growth.

44. The UNIDO World Industrial Co-operation Model showed that, in order to achieve the 25 per cent target of the Lima Declaration and Plan of Action on Industrial Development and Co-operation by the year 2000, manufacturing value added in the developing countries had to grow at a rate about 5.5 per cent greater on average than in the developed countries. If manufacturing value added in the developed countries grew by 5 per cent, it would have to grow at about 10.5 per cent in the developing countries, compared with an average of 7.4 per cent for 1960-1975. Enormous efforts on the part of all countries were required if the Lima target was to be met. The growth pattern of individual countries would differ, depending on their endowments and stages of development. While industrialization would be essential for all countries, its manifestation would vary in type and degree from country to country.

45. Energy was one of the most urgent problems now facing the world. UNIDO studies showed that if petroleum continued to be used at the current rate, little would be left by the 1990s to meet the requirements of developed or developing countries. Since little coal or nuclear energy was available in the developing world, apart from India and China, the plight of the other developing countries could become precarious before the end of the century and it might be impossible to meet the Lima target. Energy conservation and pricing policies had to be carefully reviewed and implemented if the rapidly diminishing and non-renewable sources of energy were to be husbanded. Efforts must be made to stimulate the production of other sources of energy capable of fostering self-sustaining industrial growth in all countries, and particularly in the developing world. In view of the present serious situation, it seemed impossible for the time being to hope for a better world growth rate than 2.8 per cent, or 2 per cent for the developed countries and 6 per cent for the developing countries. A partnership of the developed and developing world, and a political, social and economic solidarity contract to develop the partnership, were therefore required. UNIDO would endeavour to show what dangers or obstacles were ahead and do what it could to avoid them, but the contract itself could only be entered into by Governments. The Council might be the appropriate body in which to negotiate it.

46. Mr. AKRAM (Afghanistan) regretted that 1977 had passed without any real improvement in the world economic situation. Once again, the least developed countries had suffered the most, and the gap between the economies of the industrialized countries and those

of the third world had widened. There were many reasons for that state of affairs, but the most important one was the very nature of the world economy as it now existed, which no longer corresponded to the needs of society.

47. Scientific and technological progress had opened up the possibility of improved economic development, particularly for the large part of mankind lacking the most elementary needs. In order to remove the injustice inherent in the present system, the sixth special session of the General Assembly had decided to establish a new international economic order. But no effective steps to overcome the world economic crisis had yet been taken. The economic imbalance inherited from the colonial period continued to exist, and decisions taken at international meetings had not yet had any favourable impact. It seemed that the lack of political will on the part of the rich countries might be the cause. A study of the economic situation in 1977 revealed that the developed countries had taken advantage of the disorder in world economic relations and had become richer still at the expense of the developing countries. However, the third-world countries had not lost hope and still counted on the support of the industrialized countries in assisting the General Assembly at its special session in 1980 to establish a new economic order for the good of mankind in general. Close economic interdependence existed between developed and developing countries, and due account should be taken of that fact in decisions and debates in all the specialized economic organizations of the United Nations.

48. At the fourth session of the United Nations Conference on Trade and Development held at Nairobi in 1976, a number of recommendations concerning developing countries had been made. He hoped they would meet with a favourable response from all Members of the United Nations and would be implemented, in the interests of the international community. One of the measures taken at that session concerned the problem of debts owed by poor countries to rich ones. There was no doubt that the long-term and short-term debts owed by the less fortunate nations to the rich ones, amounting to \$500-600 billion, had a negative effect on the economic development of the debtor countries. His delegation was gratified to note that some developed countries had made the generous gesture of converting their loans into gifts. Similar steps of that kind would help to accelerate the improvement in the living standard of the poorest peoples.

49. The international trade situation in 1977 gave cause for disquiet. The markets for finished products and primary commodities exported from third-world countries had once again come up against the protectionist measures of the developed countries. Such barriers served only to aggravate the critical situation of the developing countries. His delegation proposed that special attention should be given to the problem at the current session, in the hope of finding an equitable solution.

50. Another factor which militated against the expansion of international economic relations and had resulted in an adverse balance of payments for the developing countries was the unstable international monetary system. A solution must be found, since, otherwise there would be serious consequences not only for the developing countries but also for the developed countries themselves.

51. Afghanistan was one of the group of land-locked States the majority of which were developing countries. The right of free access to and from the sea was a perennial problem. Despite a series of measures adopted at the international level, including recommendations adopted at the fourth session of the Conference, the trade of the land-locked countries was still hampered by extra transport charges which brought the cost price of commodities to a level where they found it difficult to compete on the international market with coastal countries. In order to compensate for such additional costs, the General Assembly, at its thirtieth session, had approved the establishment of the United Nations Special Fund for Land-locked Developing Countries. More than two years later, its board of governors had still not been elected, and contributions were on the low side. His delegation was disturbed at the slow progress and requested the Council to call upon member States to increase contributions to the Fund, so that it could finally become operational.

52. Turning to the social and economic situation in Afghanistan, he pointed out that lack of qualified personnel, together with inadequate resources, had prevented his country from obtaining the results it might have expected. There had been, of course, a certain amount of progress, and the co-operation and help of friendly countries and international organizations had contributed a great deal. But the introduction of new economic ideas and a system of planning in a country with old traditions had never been an easy thing to do. Following the revolution in April 1978, a democratic republican régime had been established in Afghanistan. The new Government had set about reorganizing the economy, introducing a democratic agrarian reform, developing hitherto uncultivated land, expanding the irrigation system, and seeking a solution to the problem of pastures. It also intended to eliminate the feudal system, introduce appropriate measures concerning domestic and foreign trade in the collective interest, develop the public sector of the economy, and use scientific planning to exploit the natural riches of the country. Finally, social life and the governmental system would be democratized.

53. His country's resources were extremely limited and it would have difficulty in attaining the objectives of an economic plan. For that reason, his Government, at the very outset of its existence, had made an urgent appeal to the international community for assistance, without conditions which might prejudice its sovereignty. He hoped for international co-operation and greater assistance in order to create a national economy which would be healthy and adapted to the needs of a free and sovereign society.

54. Mrs. DE METZ NOBLAT (International Chamber of Commerce) said that the world was emerging from the severest recession of the last 40 years. However, the recovery was slower in 1977 than might have been expected from the revival of economic activity in the second half of 1976. World economic recovery seemed to be dependent upon three conditions: the revival of productive investment, the maintenance of an open trading system free from distortions and barriers, and a greater integration of developing countries in the world economy.

55. A revival in productive investment could be achieved only if the confidence of the private sector was restored and if business profitability was allowed

to rise. Through its quarterly *Survey of Economic Trends*, ICC kept a check on the views of over 1,500 firms in 50 countries regarding the business climate. The most recent survey covering the first quarter of 1978 showed that for the vast majority of firms confidence was still weak. Two factors were responsible for that situation: over the last 10 years, business profitability had been gradually eroded, and at the same time government interference had tended to increase. Declining profitability, together with the persistence of high inflationary pressures, constituted a major disincentive to investment. A return to price stability was absolutely essential for the revival of investment. But beyond purely economic factors, the growth of investment was closely linked with the re-establishment of the status of the entrepreneur, which had been somewhat questioned in the past. It also hinged on a clearer definition of the respective roles of government and business; that was increasingly recognized by some Governments which, both in developing and in industrialized countries, were re-assessing their relationships with private enterprise. There was considerable potential demand and an acute need for investment in the developing world. Through realistic economic planning, Governments could allocate scarce resources in a balanced fashion and so establish the basis for an acceleration of investment in the future. But Governments could not assume all tasks, and in particular the task of expanding agricultural and industrial production should rest principally with the private sector, assisted, as the case might be, by private foreign investors.

56. The revival of the world economy was also highly dependent upon the maintenance of an open trading system. ICC attached paramount importance to the Tokyo Round negotiations and hoped that rules would be adopted to prevent recourse to restrictive measures which were short-sighted and selfish. It seemed that two considerations were behind the present protectionist trends: the desire of the major countries to retain, and if possible to expand, their share of world exports at a time when the growth of world exports was slowing down, and the legitimate wish to maintain employment in particular domestic industries which, for one reason or another, had lost their competitiveness. The first consideration had given rise to a proliferation of subsidies, whilst the second had prompted Governments to impose import restrictions, reflecting the refusal of countries to adjust to the emergence of more efficient

and competing industries abroad. The unwillingness to assume the cost of structural changes had been reinforced by the fact that the cost was made greater by the adverse economic situation. However, ICC believed that protectionism froze existing patterns of production and diminished the pressures for adjustment; far from assisting Governments to ride out the recession, it actually exacerbated and prolonged it.

57. Turning to the question of greater integration of the developing countries in the world economy, she felt that the political climate was now more favourable than at the beginning of the decade. As the process of industrialization in some developing countries had moved faster, it had come to be realized that the world economy could not be artificially divided between developed and developing countries. The pattern of international economic relations was essentially an evolving one marked by growing interdependence.

58. ICC supported the United Nations in its determination to attack the economic and social problems of the less developed countries and it wished to contribute to action aimed at solving such problems. Both the ICC and its members, as private entrepreneurs engaged in all sectors of the economy, could play a crucial role in the development process. The experience of recent years showed that those developing countries which had encouraged private entrepreneurship and adopted market-oriented outward-looking strategies had attained relatively higher rates of fixed capital formation and growth.

59. If the business sector was to play its full part in the development process, it was essential that there should be regular communication and consultation with Governments and intergovernmental organizations. A most valuable mechanism to that end was the ICC/United Nations/GATT Economic Consultative Committee. ICC attached great importance to strengthening the domestic private sector in the developing world, and was expanding its programme of seminars and training for businessmen from developing nations on such topics as trade procedures, banking techniques and arbitration. It was also aware of the need for foreign investments in developing countries and would put forward at its congress in October 1978 precise proposals for expanding the contribution of world business to economic development.

The meeting rose at 5.50 p.m.

28th meeting

Thursday, 13 July 1978, at 11.10 a.m.

President: Mr. Donald O. MILLS (Jamaica).

E/1978/SR.28

In the absence of the President, Mr. Mwanguhunga (Uganda), Vice-President, took the Chair.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (*continued*)

1. Mr. MAHGOUB (Sudan) remarked that inflation, monetary instability, recession, unemployment and

protectionist tendencies had created in the developed world an atmosphere of uncertainty about the future. The situation was even worse, however, in the developing countries, because the present world economic system was not adapted to meet their needs. "Stagflation", unemployment and stagnant or declining standards of living and *per capita* growth rates had led those countries to increase borrowing to such an extent that the level of their indebtedness was swallowing a grow-