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THE NORTH-SOUTH DIALOGUE

Some Basic Documents

Department of External Affairs

February 1977

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THE NORTH-SOUTH DIALOGUE

Some Basic Documents

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Department of External Affairs

February 1977

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STATEMENT DISCOURS

NOTES FOR A STATEMENT BY THE
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
THE HONOURABLE MITCHELL SHARP,
TO BE DELIVERED AT THE SIXTH SPECIAL
SESSION OF THE UNITED NATIONS GENERAL
ASSEMBLY, NEW YORK CITY, APRIL 11, 1974

The international trade and payments system is under increasing strains, strains which have their roots in the growing pressure of demand on the non-renewable as well as renewable raw materials of the earth. We have become starkly aware of a developing crisis in the most essential commodity of all -- food.

This global economic situation touches each and everyone of us in some way. None of us as nation-states or as individuals, is or can be, insulated. It is therefore appropriate that we should come together here at the centre of the United Nations system, to discuss our common problems and to consider how they can be dealt with most effectively by co-operative action.

Three aspects of the global situation, all of them related to raw materials and development, are of particular concern:

- the problem of food for those in greatest need;
- the effects of high energy costs;
- the impact of inflation on the international trade and payments system.

As a substantial exporter of certain raw materials, and a significant importer of others, Canada approaches these questions very much aware that importer and exporter interests are closely interrelated. It is seriously misleading simply to equate exporter and developing country interests, or those of importer and developed countries. Indeed the common interest of exporters and importers, of developed and developing countries alike, in an effective international trade and payments system may be the most salient point to emerge from our discussions at this session.

Canada's approach is coloured by our own experience. Canada began its history as an exporter of primary commodities. That is what attracted the first explorers. The exploitation of our natural resources helped to promote both growth and development within our economy. Over the years our economy changed to a more sophisticated structure, involving a balance between resource exploitation and industrial production.

Many factors have contributed to growth and development in Canada, including:

- substantial foreign investment;
- access to technology, mainly through commercial channels;
- access to markets for our products; and
- a general sharing of the rewards of resource production among Canadians.

The importance of these factors in our development has made Canada an outward looking country with high per capita exports, and a heavy dependence on foreign trade. It has also persuaded us that a reasonably free international flow of the factors of production, whether capital, materials or technology, is of central importance to the process of industrialization and the raising of living standards.

Nor has our experience led us to believe that there are simple answers to the problems of development, or simple formulae that will ensure equity in the relations between developed and developing countries. We are re-inforced in this scepticism about simple answers by our own efforts to reduce economic disparities between far-flung regions, and to reconcile the conflicting interests of industrialized and raw materials producing areas within Canada. We find the problem infinitely complicated, requiring a wide variety of approaches to achieve results.

I can give assurance, however, that Canada has a strong interest in stable markets and a reasonable price structure for renewable and non-renewable raw materials, including foodstuffs.

- We support international commodity arrangements in which both exporters and importers are represented.
- We favour the establishment of machinery to ensure that the decisions of multinational business corporations are consistent with the national interests of the countries within which they operate.
- We defend the right of capital importing countries to define the terms for the acceptance of foreign investment. We do so in Canada.
- We believe that raw material producing countries have a legitimate interest in upgrading their resources.

In short, Canada recognizes the right of resource-owning states to dispose of their natural resources in the interest of their own economic development and of the well-being of their people.

What has to be borne in mind is that the legitimate aspirations of resource owning states can only be achieved within a healthy and dynamic world economy. The world may have to curb the rate of growth of its consumption of certain raw materials. But this should be done in a coordinated manner and not by acts which cause economic dislocation, unnecessary unemployment and declining incomes.

That is why reasonable security of supply for consumers is the counterpart of the rights of producers.

Abrupt and arbitrary actions affecting supply may seriously disrupt international economic cooperation. All of us, whether raw-materials producers or industrialized countries, whether developed or developing -- or a bit of both -- have a responsibility to exercise our sovereign rights in a manner that does not run counter to the interest of other countries and peoples in the maintenance of a favourable economic environment.

This is all the more important if the world is to exercise prudence in the consumption of finite resources. It is extremely difficult, if not impossible, to plan rationally for conservation of world resources within an unstable economic environment, in which countries must constantly adjust to fluctuations in world prices and supplies.

I turn then to the three urgent problems I identified at the outset -- food, energy and inflation.

FOOD

In the final analysis, foodstuffs are the most essential of raw materials. We are acutely aware of this because the world faces a grave situation, already marked by famine and distress. The World Food Conference in Rome later this year was called in recognition of the need to find constructive international solutions to this most pressing problem. We attach particular importance to the work of that Conference, yet the urgency of the matter justifies some further comments.

Canada has for years been a major exporter of food and a large contributor of food aid internationally. We shall maintain our food aid contributions bilaterally and through the international mechanisms we strongly support. The expenditure of an additional \$100 million was approved by the Canadian Government last week to meet the emergency needs of developing countries, particularly for food and fertilizer. The world food problem,

however, cannot be met by the exporting countries alone. It requires concerted action by all those countries able to contribute, and firm support for existing mechanisms. Canada welcomes the recent contribution by Saudi Arabia to the World Food Programme. Such contributions are essential if we are to meet the crisis in food supplies in a number of countries.

Let us hope that Nature will bless the world with good crops this coming year. But we must never again, if we can avoid it, permit the margin between famine and sufficiency to become so narrow. I shall not at this time expand upon the steps that must be taken. That is more suitable to the World Food Conference. Let me leave this thought: that only if the heavily populated developing countries achieve a higher degree of self-sufficiency in food can the future be faced with reasonable equanimity.

ENERGY

The sharp rise in the price of oil, and changes in supply and demand, have had extraordinary effects around the world. As in the case of other raw materials, Canada has approached this situation as both a producer and consumer, as both an importer and exporter. Because we import as much petroleum into Eastern Canada as we export from Western Canada, we have gained no significant advantage in our balance of payments from these developments. We have not, of course, been insulated from international price increases. At the same time, in contrast to many less fortunate countries, we have not suffered serious set-back.

In general terms, Canada favours an orderly framework for world trade in oil which would provide for stable prices at a reasonable level. Such a framework would reflect the cost of bringing in new conventional and non-conventional sources of energy in order to meet rising demand. Prices should yield a fair return to the producer, without over-burdening the consumer.

The energy question of course goes beyond that of oil. It involves other energy sources and the technologies needed to exploit them.

I realize that this session was not called primarily to deal with energy resources. They are, however, of such importance to the topics on our agenda that I wish to emphasize the need for a constructive dialogue to be engaged on energy and energy-related problems wherever appropriate. Such a dialogue is needed particularly between the principal consumers and principal exporters, whose decisions are crucial for the world as a whole and especially for the energy-poor developing countries. Canada, for its part, is willing to develop mechanisms for consultation between importers and exporters of uranium.

INFLATION

If the energy situation has had little direct effect on our balance of payments, Canada like other countries cannot hope to escape the inflationary effects of rising prices at a time when inflation is already a serious international problem. The terms of trade have in recent months shifted significantly in favour of commodity producers, as the prices of minerals and agricultural products have risen to unprecedented levels. But we are all consumers -- of raw materials and manufactured products -- and it is as consumers that the impact of world inflation is brought home to us most forcibly. I can see no easy solutions to this problem.

Governments can help by pursuing responsible policies. It is inescapable, however, that current energy costs compel a restructuring of international markets which will inevitably take some time to work out. Every country will face challenges in adjusting its economy to the changed situation.

Urgent international action to meet this situation must include: the liberation of trade arrangements; the growth of development assistance; and the systematic and progressive reordering of the monetary system in the IMF, so as to subject the creation of international liquidity to agreed disciplines.

CANADIAN RESPONSE

In the face of these compelling priorities, Canada has reviewed its own commitments. Subject to Parliamentary approval, the Canadian Government intends to take several steps to help alleviate the situation of the developing countries most seriously affected.

- We shall proceed with our own contribution of \$276 million to the Fourth Replenishment of the International Development Association.
- We shall permit the advance commitment of our first two payments to IDA, if that seems desirable.
- As I mentioned earlier, the Canadian Government last week approved an additional \$100 million, over and above its originally projected programme, to meet emergency needs in developing countries -- particularly for food and fertilizer. For the coming year, Canada's development assistance expenditures are expected to reach \$733 million as against \$571 million last year.
- We are also reassessing our entire programme with a view to ensuring that our development assistance is directed to those in greatest need and in sectors where an urgent response is required. The immediate measures will include balance of payments support through quick disbursing grants and soft loans for essential commodities. Longer term measures will include assistance for the development of energy sources. Such adjustments in development assistance programmes are difficult but necessary.

In this context, the Canadian Government believes that all countries with appropriate resources have a responsibility to examine their own situation closely and take steps to alleviate the plight of those countries which are hard hit by the present energy situation. There are promising signs that countries which have benefited most from oil price increases will, in fact, be taking concrete steps to provide assistance on concessional terms.

A renewed effort of international cooperation is called for in which full use should be made of those established and recognized international institutions which have experience and expertise in supporting development. The United Nations Development Programme (UNDP), the International Bank for Reconstruction and Development (IBRD), the World Food Programme, and the Regional Development Banks are repositories of technical skills available to the international community. As such, they offer a ready means of securing early and effective action.

Some of these institutions have already begun to adapt their operations to the new situation. There is every reason for them to carry forward this process of adaptation and to work out revised policies and criteria, new techniques and types of programmes, geared to present circumstances.

Finally, the Canadian Government has decided to bring into effect, on July 1st, 1974, its system of generalized tariff preferences in favour of developing countries. My Colleague, the Minister of Finance will be announcing the details of the scheme in Ottawa.

Mr. President, these are some steps Canada is taking to help with the problems of concern to this Special Session. But none of them is as important, to my mind, as our intention to cooperate fully with other countries:

- in needed adjustments to the international trade and payments system;
- in matters of commodity trade;
- in the reduction of trade barriers;
- in support for the established development assistance institutions.

There are mechanisms of international cooperation already established and in good working order. Let us use them.

Without close consultation in the appropriate bodies, there is little hope of maintaining an effective network of international economic relations. Conditions of disarray and sustained confrontation may yield short-term benefits for a few, but in the long run the consequences would be wasteful and dangerous for all countries.

Modes of international cooperation need constant adjustment in order to reflect existing trends and realities. These adjustments may be small or great. We may expect a re-ordering and readjustment of international economic relations to emerge from a range of multilateral consultations, including:

- the current monetary negotiations and the multilateral trade negotiations;
- continuing discussions and consultations on commodities;
- the evolution of international codes of conduct in various areas;
- the creation of particular mechanisms to meet urgent needs, such as the proposed special facility in the IMF, which we have encouraged the Managing Director to explore; and
- the evolution of new techniques of resource management, including conservation policies.

We are in the midst of a period of transition, in many respects of unprecedented scope.

This Special Session of the General Assembly is one important step forward in this process. I welcome this opportunity to improve our mutual understanding of the problems before us. The Canadian Delegation, in addressing itself to the problems of raw materials and of development, will be taking a positive but realistic approach. It will seek, in promoting its own positions and proposals, to take full account of the interests of others. It will be guided by the conviction that our common interest is in a healthy and viable world economy.

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UNITED NATIONS

GENERAL
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A/RES/3201 (S-VI)
9 May 1974

Sixth special session
Agenda item 7

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY

/on the report of the Ad Hoc Committee of the
Sixth Special Session (A/9556)/

3201 (S-VI). Declaration on the Establishment of a New
International Economic Order

The General Assembly

Adopts the following Declaration:

DECLARATION ON THE ESTABLISHMENT OF A NEW INTERNATIONAL ECONOMIC ORDER

We, the Members of the United Nations,

Having convened a special session of the General Assembly to study for the first time the problems of raw materials and development, devoted to the consideration of the most important economic problems facing the world community,

Bearing in mind the spirit, purposes and principles of the Charter of the United Nations to promote the economic advancement and social progress of all peoples,

Solemnly proclaim our united determination to work urgently for

THE ESTABLISHMENT OF A NEW INTERNATIONAL ECONOMIC ORDER

based on equity, sovereign equality, interdependence, common interest and co-operation among all States, irrespective of their economic and social systems which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations, and, to that end, declare:

1. The greatest and most significant achievement during the last decades has been the independence from colonial and alien domination of a large number of peoples and nations which has enabled them to become members of the community of free peoples. Technological progress has also been made in all spheres of economic activities in the last three decades, thus providing a solid potential for improving the well-being of all peoples. However, the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, apartheid and neo-colonialism in all its forms continue to be among the greatest obstacles to the full emancipation and progress of the developing countries and all the peoples involved. The benefits of technological progress are not shared equitably by all members of the international community. The developing countries, which constitute 70 per cent of the world's population, account for only 30 per cent of the world's income. It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order. The gap between the developed and the developing countries continues to widen in a system which was established at a time when most of the developing countries did not even exist as independent States and which perpetuates inequality.

2. The present international economic order is in direct conflict with current developments in international political and economic relations. Since 1970, the world economy has experienced a series of grave crises which have had severe repercussions, especially on the developing countries because of their generally greater vulnerability to external economic impulses. The developing world has become a powerful factor that makes its influence felt in all fields of international activity. These irreversible changes in the relationship of forces in the world necessitate the active, full and equal participation of the developing countries in the formulation and application of all decisions that concern the international community.

3. All these changes have thrust into prominence the reality of interdependence of all the members of the world community. Current events have brought into sharp focus the realization that the interests of the developed countries and those of the developing countries can no longer be isolated from each other, that there is close interrelationship between the prosperity of the developed countries and the growth and development of the developing countries, and that the prosperity of the international community as a whole depends upon the prosperity of its constituent parts. International co-operation for development is the shared goal and common duty of all countries. Thus the political, economic and social well-being of present and future generations depends more than ever on co-operation between all members of the international community on the basis of sovereign equality and the removal of the disequilibrium that exists between them.

4. The new international economic order should be founded on full respect for the following principles:

(a) Sovereign equality of States, self-determination of all peoples, inadmissibility of the acquisition of territories by force, territorial integrity and non-interference in the internal affairs of other States;

(b) The broadest co-operation of all the States members of the international community, based on equity, whereby the prevailing disparities in the world may be banished and prosperity secured for all;

(c) Full and effective participation on the basis of equality of all countries in the solving of world economic problems in the common interest of all countries, bearing in mind the necessity to ensure the accelerated development of all the developing countries, while devoting particular attention to the adoption of special measures in favour of the least developed, land-locked and island developing countries as well as those developing countries most seriously affected by economic crises and natural calamities, without losing sight of the interests of other developing countries;

(d) The right to every country to adopt the economic and social system that it deems to be the most appropriate for its own development and not to be subjected to discrimination of any kind as a result;

(e) Full permanent sovereignty of every State over its natural resources and all economic activities. In order to safeguard these resources, each State is entitled to exercise effective control over them and their exploitation with means suitable to its own situation, including the right to nationalization or transfer of ownership to its nationals, this right being an expression of the full permanent sovereignty of the State. No State may be subjected to economic, political or any other type of coercion to prevent the free and full exercise of this inalienable right;

(f) The right of all States, territories and peoples under foreign occupation, alien and colonial domination or apartheid to restitution and full compensation for the exploitation and depletion of, and damages to, the natural resources and all other resources of those States, territories and peoples;

(g) Regulation and supervision of the activities of transnational corporations by taking measures in the interest of the national economies of the countries where such transnational corporations operate on the basis of the full sovereignty of those countries;

(h) The right of the developing countries and the peoples of territories under colonial and racial domination and foreign occupation to achieve their liberation and to regain effective control over their natural resources and economic activities;

(i) The extending of assistance to developing countries, peoples and territories which are under colonial and alien domination, foreign occupation, racial discrimination or apartheid or are subjected to economic, political or any other type of coercive measures to obtain from them the subordination of the exercise of their sovereign rights and to secure from them advantages of any kind, and to neo-colonialism in all its forms, and which have established or are endeavouring to establish effective control over their natural resources and economic activities that have been or are still under foreign control;

(j) Just and equitable relationship between the prices of raw materials, primary products, manufactured and semi-manufactured goods exported by developing countries and the prices of raw materials, primary commodities, manufactures, capital goods and equipment imported by them with the aim of bringing about sustained improvement in their unsatisfactory terms of trade and the expansion of the world economy;

(k) Extension of active assistance to developing countries by the whole international community, free of any political or military conditions;

(l) Ensuring that one of the main aims of the reformed international monetary system shall be the promotion of the development of the developing countries and the adequate flow of real resources to them;

(m) Improving the competitiveness of natural materials facing competition from synthetic substitutes;

(n) Preferential and non-reciprocal treatment for developing countries, wherever feasible, in all fields of international economic co-operation whenever possible;

(o) Securing favourable conditions for the transfer of financial resources to developing countries;

(p) Giving to the developing countries access to the achievements of modern science and technology, and promoting the transfer of technology and the creation of indigenous technology for the benefit of the developing countries in forms and in accordance with procedures which are suited to their economies.

(q) The need for all States to put an end to the waste of natural resources, including food products;

(r) The need for developing countries to concentrate all their resources for the cause of development;

/...

(s) The strengthening, through individual and collective actions, of mutual economic, trade, financial and technical co-operation among the developing countries, mainly on a preferential basis;

(t) Facilitating the role which producers' associations may play within the framework of international co-operation and, in pursuance of their aims, inter alia assisting in the promotion of sustained growth of world economy and accelerating the development of developing countries.

5. The unanimous adoption of the International Development Strategy for the Second United Nations Development Decade 1/ was an important step in the promotion of international economic co-operation on a just and equitable basis. The accelerated implementation of obligations and commitments assumed by the international community within the framework of the Strategy, particularly those concerning imperative development needs of developing countries, would contribute significantly to the fulfilment of the aims and objectives of the present Declaration.

6. The United Nations as a universal organization should be capable of dealing with problems of international economic co-operation in a comprehensive manner and ensuring equally the interests of all countries. It must have an even greater role in the establishment of a new international economic order. The Charter of Economic Rights and Duties of States, for the preparation of which the present Declaration will provide an additional source of inspiration, will constitute a significant contribution in this respect. All the States Members of the United Nations are therefore called upon to exert maximum efforts with a view to securing the implementation of the present Declaration, which is one of the principal guarantees for the creation of better conditions for all peoples to reach a life worthy of human dignity.

7. The present Declaration on the Establishment of a New International Economic Order shall be one of the most important bases of economic relations between all peoples and all nations.

2229th plenary meeting

1 May 1974

1/ General Assembly resolution 2626 (XXV).



UNITED NATIONS

GENERAL
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16 May 1974

Sixth special session
Agenda item 7

RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY

/On the report of the Ad Hoc Committee of the Sixth
Special Session (A/9556)/

3202 (S-VI). Programme of Action on the Establishment of a
New International Economic Order

The General Assembly

Adopts the following Programme of Action:

PROGRAMME OF ACTION ON THE ESTABLISHMENT OF A NEW INTERNATIONAL
ECONOMIC ORDER

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Introduction

1. In view of the continuing severe economic imbalance in the relations between developed and developing countries, and in the context of the constant and continuing aggravation of the imbalance of the economies of the developing countries and the consequent need for the mitigation of their current economic difficulties, urgent and effective measures need to be taken by the international community to assist the developing countries, while devoting particular attention to the least developed, land-locked and island developing countries and those developing countries most seriously affected by economic crises and natural calamities leading to serious retardation of development processes.

2. With a view to ensuring the application of the Declaration on the Establishment of a New International Economic Order, 1/ it will be necessary to adopt and implement within a specified period a programme of action of unprecedented scope and to bring about maximum economic co-operation and understanding among all States, particularly between developed and developing countries, based on the principles of dignity and sovereign equality.

I. Fundamental problems of raw materials and primary commodities as related to trade and development

1. Raw materials

All efforts should be made:

(a) To put an end to all forms of foreign occupation, racial discrimination, apartheid, colonial, neo-colonial and alien domination and exploitation through the exercise of permanent sovereignty over natural resources;

(b) To take measures for the recovery, exploitation, development, marketing and distribution of natural resources, particularly of developing countries, to serve their national interests, to promote collective self-reliance among them and to strengthen mutually beneficial international economic co-operation with a view to bringing about the accelerated development of developing countries;

(c) To facilitate the functioning and to further the aims of producers' associations, including their joint marketing arrangements, orderly commodity trading, improvement in export income of producing developing countries and in their terms of trade, and sustained growth of the world economy for the benefit of all;

1/ General Assembly resolution 3201 (S-VI).

(d) To evolve a just and equitable relationship between the prices of raw materials, primary commodities, manufactured and semi-manufactured goods exported by developing countries and the prices of raw materials, primary commodities, food, manufactured and semi-manufactured goods and capital equipment imported by them, and to work for a link between the prices of exports of developing countries and the prices of their imports from developed countries;

(e) To take measures to reverse the continued trend of stagnation or decline in the real price of several commodities exported by developing countries, despite a general rise in commodity prices, resulting in a decline in the export earnings of these developing countries;

(f) To take measures to expand the markets for natural products in relation to synthetics, taking into account the interests of the developing countries, and to utilize fully the ecological advantages of these products;

(g) To take measures to promote the processing of raw materials in the producer developing countries.

2. Food

All efforts should be made:

(a) To take full account of specific problems of developing countries, particularly in times of food shortages, in the international efforts connected with the food problem;

(b) To take into account that, owing to lack of means, some developing countries have vast potentialities of unexploited or underexploited land which, if reclaimed and put into practical use, would contribute considerably to the solution of the food crisis;

(c) By the international community to undertake concrete and speedy measures with a view to arresting desertification, salination and damage by locusts or any other similar phenomenon involving several developing countries, particularly in Africa, and gravely affecting the agricultural production capacity of these countries, and also to assist the developing countries affected by this phenomenon to develop the affected zones with a view to contributing to the solution of their food problems;

(d) To refrain from damaging or deteriorating natural resources and food resources, especially those derived from the sea, by preventing pollution and taking appropriate steps to protect and reconstitute those resources;

(e) By developed countries, in evolving their policies relating to production, stocks, imports and exports of food, to take full account of the interests of:

- (i) Developing importing countries which cannot afford high prices for their imports;
- (ii) Developing exporting countries which need increased market opportunities for their exports;
- (f) To ensure that developing countries can import the necessary quantity of food without undue strain on their foreign exchange resources and without unpredictable deterioration in their balance of payments, and, in this context, that special measures are taken in respect of the least developed, the land-locked and island developing countries as well as those developing countries most seriously affected by economic crises and natural calamities;
- (g) To ensure that concrete measures to increase food production and storage facilities in developing countries are introduced, inter alia, by ensuring an increase in all available essential inputs, including fertilizers, from developed countries on favourable terms;
- (h) To promote exports of food products of developing countries through just and equitable arrangements, inter alia, by the progressive elimination of such protective and other measures as constitute unfair competition.

3. General trade

All efforts should be made:

- (a) To take the following measures for the amelioration of terms of trade of developing countries and concrete steps to eliminate chronic trade deficits of developing countries:
 - (i) Fulfilment of relevant commitments already undertaken in the United Nations Conference on Trade and Development and in the International Development Strategy for the Second United Nations Development Decade; ^{2/}
 - (ii) Improved access to markets in developed countries through the progressive removal of tariff and non-tariff barriers and of restrictive business practices;
 - (iii) Expeditious formulation of commodity agreements where appropriate, in order to regulate as necessary and to stabilize the world markets for raw materials and primary commodities;

^{2/} General Assembly resolution 2626 (XXV).

- (iv) Preparation of an over-all integrated programme, setting out guidelines and taking into account the current work in this field, for a comprehensive range of commodities of export interest to developing countries;
- (v) Where products of developing countries compete with the domestic production in developed countries, each developed country should facilitate the expansion of imports from developing countries and provide a fair and reasonable opportunity to the developing countries to share in the growth of the market;
- (vi) When the importing developed countries derive receipts from customs duties, taxes and other protective measures applied to imports of these products, consideration should be given to the claim of the developing countries that these receipts should be reimbursed in full to the exporting developing countries or devoted to providing additional resources to meet their development needs;
- (vii) Developed countries should make appropriate adjustments in their economies so as to facilitate the expansion and diversification of imports from developing countries and thereby permit a rational, just and equitable international division of labour;
- (viii) Setting up general principles for pricing policy for exports of commodities of developing countries, with a view to rectifying and achieving satisfactory terms of trade for them;
- (ix) Until satisfactory terms of trade are achieved for all developing countries, consideration should be given to alternative means, including improved compensatory financing schemes for meeting the development needs of the developing countries concerned;
- (x) Implementation, improvement and enlargement of the generalized system of preferences for exports of agricultural primary commodities, manufactures and semi-manufactures from developing to developed countries and consideration of its extension to commodities, including those which are processed or semi-processed. Developing countries which are or will be sharing their existing tariff advantages in some developed countries as the result of the introduction and eventual enlargement of the generalized system of preferences should, as a matter of urgency, be granted new openings in the markets of other developed countries which should offer them export opportunities that at least compensate for the sharing of those advantages;
- (xi) The setting up of buffer stocks within the framework of commodity arrangements and their financing by international financial institutions, wherever necessary, by the developed countries and, when they are able to do so, by the developing countries, with the aim of favouring the producer developing and consumer developing countries and of contributing to the expansion of world trade as a whole;

- (xii) In cases where natural materials can satisfy the requirements of the market, new investment for the expansion of the capacity to produce synthetic materials and substitutes should not be made.

(b) To be guided by the principles of non-reciprocity and preferential treatment of developing countries in multilateral trade negotiations between developed and developing countries, and to seek sustained and additional benefits for the international trade of developing countries, so as to achieve a substantial increase in their foreign exchange earnings, diversification of their exports and acceleration of the rate of their economic growth.

4. Transportation and insurance

All efforts should be made:

(a) To promote an increasing and equitable participation of developing countries in the world shipping tonnage;

(b) To arrest and reduce the ever-increasing freight rates in order to reduce the cost of imports to, and exports from, the developing countries;

(c) To minimize the cost of insurance and reinsurance for developing countries and to assist the growth of domestic insurance and reinsurance markets in developing countries and the establishment to this end, where appropriate, of institutions in these countries or at the regional level;

(d) To ensure the early implementation of the code of conduct for liner conferences;

(e) To take urgent measures to increase the import and export capability of the least developed countries and to offset the disadvantages of the adverse geographic situation of land-locked countries, particularly with regard to their transportation and transit costs, as well as developing island countries in order to increase their trading ability;

(f) By the developed countries to refrain from imposing measures or implementing policies designed to prevent the importation, at equitable prices, of commodities from the developing countries or from frustrating the implementation of legitimate measures and policies adopted by the developing countries in order to improve prices and encourage the export of such commodities.

II. International monetary system and financing of the development of developing countries

1. Objectives

All efforts should be made to reform the international monetary system with, inter alia, the following objectives:

(a) Measures to check the inflation already experienced by the developed countries, to prevent it from being transferred to developing countries and to study and devise possible arrangements within the International Monetary Fund to mitigate the effects of inflation in developed countries on the economies of developing countries;

(b) Measures to eliminate the instability of the international monetary system, in particular the uncertainty of the exchange rates, especially as it affects adversely the trade in commodities;

(c) Maintenance of the real value of the currency reserves of the developing countries by preventing their erosion from inflation and exchange rate depreciation of reserve currencies;

(d) Full and effective participation of developing countries in all phases of decision-making for the formulation of an equitable and durable monetary system and adequate participation of developing countries in all bodies entrusted with this reform and, particularly, in the Board of Governors of the International Monetary Fund;

(e) Adequate and orderly creation of additional liquidity with particular regard to the needs of the developing countries through the additional allocation of special drawing rights based on the concept of world liquidity needs to be appropriately revised in the light of the new international environment; any creation of international liquidity should be made through international multilateral mechanisms;

(f) Early establishment of a link between special drawing rights and additional development financing in the interest of developing countries, consistent with the monetary characteristics of special drawing rights;

(g) Review by the International Monetary Fund of the relevant provisions in order to ensure effective participation by developing countries in the decision-making process;

(h) Arrangements to promote an increasing net transfer of real resources from the developed to the developing countries;

(i) Review of the methods of operation of the International Monetary Fund, in particular the terms for both credit repayments and "stand-by" arrangements, the system of compensatory financing, and the terms of the financing of commodity buffer stocks, so as to enable the developing countries to make more effective use of them.

2. Measures

All efforts should be made to take the following urgent measures to finance the development of developing countries and to meet the balance-of-payment crises in the developing world:

(a) Implementation at an accelerated pace by the developed countries of the time-bound programme, as already laid down in the International Development Strategy for the Second United Nations Development Decade, for the net amount of financial resource transfers to developing countries; increase in the official component of the net amount of financial resource transfers to developing countries so as to meet and even to exceed the target of the Strategy;

(b) International financing institutions should effectively play their role as development financing banks without discrimination on account of the political or economic system of any member country, assistance being untied;

(c) More effective participation by developing countries, whether recipients or contributors, in the decision-making process in the competent organs of the International Bank for Reconstruction and Development and the International Development Association, through the establishment of a more equitable pattern of voting rights;

(d) Exemption, wherever possible, of the developing countries from all import and capital outflow controls imposed by the developed countries;

(e) Promotion of foreign investment, both public and private, from developed to developing countries in accordance with the needs and requirements in sectors of their economies as determined by the recipient countries;

(f) Appropriate urgent measures, including international action, should be taken to mitigate adverse consequences for the current and future development of developing countries arising from the burden of external debt contracted on hard terms;

(g) Debt renegotiation on a case-by-case basis with a view to concluding agreements on debt cancellation, moratorium, rescheduling or interest subsidization;

(h) International financial institutions should take into account the special situation of each developing country in reorienting their lending policies to suit these urgent needs; there is also need for improvement in practices of international financial institutions in regard to, inter alia, development financing and international monetary problems;

(i) Appropriate steps should be taken to give priority to the least developed, land-locked and island developing countries and to the countries most seriously affected by economic crises and natural calamities, in the availability of loans for development purposes which should include more favourable terms and conditions.

III. Industrialization

All efforts should be made by the international community to take measures to encourage the industrialization of the developing countries, and, to this end:

(a) The developed countries should respond favourably, within the framework of their official aid as well as international financial institutions, to the requests of developing countries for the financing of industrial projects;

(b) The developed countries should encourage investors to finance industrial production projects, particularly export-oriented production, in developing countries, in agreement with the latter and within the context of their laws and regulations;

(c) With a view to bringing about a new international economic structure which should increase the share of the developing countries in world industrial production, the developed countries and the agencies of the United Nations system, in co-operation with the developing countries, should contribute to setting up new industrial capacities including raw materials and commodity-transforming facilities as a matter of priority in the developing countries that produce those raw materials and commodities;

(d) The international community should continue and expand, with the aid of the developed countries and the international institutions, the operational and instruction-oriented technical assistance programmes, including vocational training and management development of national personnel of the developing countries, in the light of their special development requirements.

IV. Transfer of technology

All efforts should be made:

(a) To formulate an international code of conduct for the transfer of technology corresponding to needs and conditions prevalent in developing countries;

(b) To give access on improved terms to modern technology and to adapt that technology, as appropriate, to specific economic, social and ecological conditions and varying stages of development in developing countries;

(c) To expand significantly the assistance from developed to developing countries in research and development programmes and in the creation of suitable indigenous technology;

(d) To adapt commercial practices governing transfer of technology to the requirements of the developing countries and to prevent abuse of the rights of sellers;

(e) To promote international co-operation in research and development in exploration and exploitation, conservation and the legitimate utilization of natural resources and all sources of energy.

In taking the above measures, the special needs of the least developed and land-locked countries should be borne in mind.

V. Regulation and control over the activities of transnational corporations

All efforts should be made to formulate, adopt and implement an international code of conduct for transnational corporations:

(a) To prevent interference in the internal affairs of the countries where they operate and their collaboration with racist régimes and colonial administrations;

(b) To regulate their activities in host countries, to eliminate restrictive business practices and to conform to the national development plans and objectives of developing countries, and in this context facilitate, as necessary, the review and revision of previously concluded arrangements;

(c) To bring about assistance, transfer of technology and management skills to developing countries on equitable and favourable terms;

(d) To regulate the repatriation of the profits accruing from their operations, taking into account the legitimate interests of all parties concerned;

(e) To promote reinvestment of their profits in developing countries.

VI. Charter of Economic Rights and Duties of States

The Charter of Economic Rights and Duties of States, the draft of which is being prepared by a working group of the United Nations and which the General Assembly has already expressed the intention of adopting at its twenty-ninth regular session, shall constitute an effective instrument towards the establishment of a new system of international economic relations based on equity, sovereign equality, and interdependence of the interests of developed and developing countries. It is therefore of vital importance that the aforementioned Charter be adopted by the General Assembly at its twenty-ninth session.

VII. Promotion of co-operation among developing countries

1. Collective self-reliance and growing co-operation among developing countries will further strengthen their role in the new international economic order. Developing countries, with a view to expanding co-operation at the regional, subregional and interregional levels, should take further steps, inter alia:

(a) To support the establishment and/or improvement of an appropriate mechanism to defend the prices of their exportable commodities and to improve access to and stabilize markets for them. In this context the increasingly effective mobilization by the whole group of oil-exporting countries of their natural resources for the benefit of their economic development is to be welcomed. At the same time there is the paramount need for co-operation among the developing countries in evolving urgently and in a spirit of solidarity all possible means to assist developing countries to cope with the immediate problems resulting from this legitimate and perfectly justified action. The measures already taken in this regard are a positive indication of the evolving co-operation between developing countries;

(b) To protect their inalienable right to permanent sovereignty over their natural resources;

(c) To promote, establish or strengthen economic integration at the regional and subregional levels;

(d) To increase considerably their imports from other developing countries;

(e) To ensure that no developing country accords to imports from developed countries more favourable treatment than that accorded to imports from developing countries. Taking into account the existing international agreements, current limitations and possibilities and also their future evolution, preferential treatment should be given to the procurement of import requirements from other developing countries. Wherever possible, preferential treatment should be given to imports from developing countries and the exports of those countries;

(f) To promote close co-operation in the fields of finance, credit relations and monetary issues, including the development of credit relations on a preferential basis and on favourable terms;

(g) To strengthen efforts which are already being made by developing countries to utilize available financial resources for financing development in the developing countries through investment, financing of export-oriented and emergency projects and other long-term assistance;

(h) To promote and establish effective instruments of co-operation in the fields of industry, science and technology, transport, shipping and mass communication media.

2. Developed countries should support initiatives in the regional, subregional and interregional co-operation of developing countries through the extension of financial and technical assistance by more effective and concrete actions, particularly in the field of commercial policy.

VIII. Assistance in the exercise of permanent sovereignty of States over natural resources

All efforts should be made:

(a) To defeat attempts to prevent the free and effective exercise of the rights of every State to full and permanent sovereignty over its natural resources.

(b) To ensure that competent agencies of the United Nations system meet requests for assistance from developing countries in connexion with the operation of nationalized means of production.

IX. Strengthening the role of the United Nations system in the field of international economic co-operation

1. In furtherance of the objectives of the International Development Strategy for the Second United Nations Development Decade and in accordance with the aims and objectives of the Declaration on the Establishment of a New International Economic Order, all Member States pledge to make full use of the United Nations system in the implementation of the present Programme of Action, jointly adopted by them, in working for the establishment of a new international economic order and thereby strengthening the role of the United Nations in the field of world-wide co-operation for economic and social development.

2. The General Assembly of the United Nations shall conduct an over-all review of the implementation of the Programme of Action as a priority item. All the activities of the United Nations system to be undertaken under the Programme of Action as well as those already planned, such as the World Population Conference, 1974, the World Food Conference, the Second General Conference of the United Nations Industrial Development Organization and the mid-term review and appraisal of the International Development Strategy for the Second United Nations Development Decade should be so directed as to enable the special session of the General Assembly on development, called for under Assembly resolution 3172 (XXVIII) of 17 December 1973, to make its full contribution to the establishment of the new international economic order. All Member States are urged, jointly and individually, to direct their efforts and policies towards the success of that special session.

3. The Economic and Social Council shall define the policy framework and co-ordinate the activities of all organizations, institutions and subsidiary bodies within the United Nations system which shall be entrusted with the task of implementing the present Programme of Action. In order to enable the Economic and Social Council to carry out its tasks effectively:

(a) All organizations, institutions and subsidiary bodies concerned within the United Nations system shall submit to the Economic and Social Council progress reports on the implementation of the Programme of Action within their respective fields of competence as often as necessary, but not less than once a year;

(b) The Economic and Social Council shall examine the progress reports as a matter of urgency, to which end it may be convened, as necessary, in special session or, if need be, may function continuously. It shall draw the attention of the General Assembly to the problems and difficulties arising in connexion with the implementation of the Programme of Action.

4. All organizations, institutions, subsidiary bodies and conferences of the United Nations system are entrusted with the implementation of the Programme of Action. The activities of the United Nations Conference on Trade and Development, as set forth in General Assembly resolution 1995 (XIX) of 30 December 1964, should be strengthened for the purpose of following in collaboration with other competent organizations the development of international trade in raw materials throughout the world.

5. Urgent and effective measures should be taken to review the lending policies of international financial institutions, taking into account the special situation of each developing country, to suit urgent needs, to improve the practices of these institutions in regard to, inter alia, development financing and international monetary problems, and to ensure more effective participation by developing countries - whether recipients or contributors - in the decision-making process through appropriate revision of the pattern of voting rights.

6. The developed countries and others in a position to do so should contribute substantially to the various organizations, programmes and funds established within the United Nations system for the purpose of accelerating economic and social development in developing countries.

7. The present Programme of Action complements and strengthens the goals and objectives embodied in the International Development Strategy for the Second United Nations Development Decade as well as the new measures formulated by the General Assembly at its twenty-eighth session to offset the short-falls in achieving those goals and objectives.

8. The implementation of the Programme of Action should be taken into account at the time of the mid-term review and appraisal of the International Development Strategy for the Second United Nations Development Decade. New commitments, changes, additions and adaptations in the Strategy should be made, as appropriate, taking into account the Declaration on the Establishment of a New International Economic Order and the present Programme of Action.

X. Special Programme

The General Assembly adopts the following Special Programme, including particularly emergency measures to mitigate the difficulties of the developing countries most seriously affected by economic crisis, bearing in mind the particular problem of the least developed and land-locked countries:

The General Assembly,

Taking into account the following considerations:

(a) The sharp increase in the prices of their essential imports such as food, fertilizers, energy products, capital goods, equipment and services, including transportation and transit costs, has gravely exacerbated the increasingly adverse terms of trade of a number of developing countries, added to the burden of their foreign debt and, cumulatively, created a situation which, if left untended, will make it impossible for them to finance their essential imports and development and result in a further deterioration in the levels and conditions of life in these countries. The present crisis is the outcome of all the problems that have accumulated over the years: in the field of trade, in monetary reform, the world-wide inflationary situation, inadequacy and delay in provision of financial assistance and many other similar problems in the economic and developmental fields. In facing the crisis, this complex situation must be borne in mind so as to ensure that the Special Programme adopted by the international community provides emergency relief and timely assistance to the most seriously affected countries. Simultaneously, steps are being taken to resolve these outstanding problems through a fundamental restructuring of the world economic system, in order to allow these countries while solving the present difficulties to reach an acceptable level of development.

(b) The special measures adopted to assist the most seriously affected countries must encompass not only the relief which they require on an emergency basis to maintain their import requirements, but also, beyond that, steps to consciously promote the capacity of these countries to produce and earn more. Unless such a comprehensive approach is adopted, there is every likelihood that the difficulties of the most seriously affected countries may be perpetuated. Nevertheless, the first and most pressing task of the international community is to enable these countries to meet the short-fall in their balance-of-payments positions. But this must be simultaneously supplemented by additional development assistance to maintain and thereafter accelerate their rate of economic development.

(c) The countries which have been most seriously affected are precisely those which are at the greatest disadvantage in the world economy: the least developed, the land-locked and other low-income developing countries as well as other developing countries whose economies have been seriously dislocated as a result of the present

economic crisis, natural calamities, and foreign aggression and occupation. An indication of the countries thus affected, the level of the impact on their economies and the kind of relief and assistance they require can be assessed on the basis, inter alia, of the following criteria:

- (i) Low per capita income as a reflection of relative poverty, low productivity, low level of technology and development
- (ii) Sharp increase in their import cost of essentials relative to export earnings;
- (iii) High ratio of debt servicing to export earnings;
- (iv) Insufficiency in export earnings, comparative inelasticity of export incomes and unavailability of exportable surplus
- (v) Low level of foreign exchange reserves or their inadequacy for requirements;
- (vi) Adverse impact of higher transportation and transit costs;
- (vii) Relative importance of foreign trade in the development process.

(d) The assessment of the extent and nature of the impact on the economies of the most seriously affected countries must be made flexible, keeping in mind the present uncertainty in the world economy, the adjustment policies that may be adopted by the developed countries and the flow of capital and investment. Estimates of the payments situation and needs of these countries can be assessed and projected reliably only on the basis of their average performance over a number of years. Long-term projections, at this time, cannot but be uncertain.

(e) It is important that, in the special measures to mitigate the difficulties of the most seriously affected countries, all the developed countries as well as the developing countries should contribute according to their level of development and the capacity and strength of their economies. It is notable that some developing countries, despite their own difficulties and development needs, have shown a willingness to play a concrete and helpful role in ameliorating the difficulties faced by the poorer developing countries. The various initiatives and measures taken recently by certain developing countries with adequate resources on a bilateral and multilateral basis to contribute to alleviating the difficulties of other developing countries are a reflection of their commitment to the principle of effective economic co-operation among developing countries.

(f) The response of the developed countries which have by far the greater capacity to assist the affected countries in overcoming their

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present difficulties must be commensurate with their responsibilities. Their assistance should be in addition to the presently available levels of aid. They should fulfil and if possible exceed the targets of the International Development Strategy for the Second United Nations Development Decade on financial assistance to the developing countries, especially that relating to official development assistance. They should also give serious consideration to the cancellation of the external debts of the most seriously affected countries. This would provide the simplest and quickest relief to the affected countries. Favourable consideration should also be given to debt moratorium and rescheduling. The current situation should not lead the industrialized countries to adopt what will ultimately prove to be a self-defeating policy aggravating the present crisis.

Recalling the constructive proposals made by His Imperial Majesty the Shahanshah of Iran 3/ and His Excellency Mr. Houari Boumediène, President of the People's Democratic Republic of Algeria, 4/

1. Decides to launch a Special Programme to provide emergency relief and development assistance to the developing countries most seriously affected, as a matter of urgency, and for the period of time necessary, at least until the end of the Second United Nations Development Decade, to help them overcome their present difficulties and to achieve self-sustaining economic development;
2. Decides as a first step in the Special Programme to request the Secretary-General to launch an emergency operation to provide timely relief to the most seriously affected developing countries, as defined in subparagraph (c) above, with the aim of maintaining unimpaired essential imports for the duration of the coming 12 months and to invite the industrialized countries and other potential contributors to announce their contributions for emergency assistance, or intimate their intention to do so, by 15 June 1974 to be provided through bilateral or multilateral channels, taking into account the commitments and measures of assistance announced or already taken by some countries, and further requests the Secretary-General to report the progress of the emergency operation to the General Assembly at its twenty-ninth session, through the Economic and Social Council at its fifty-seventh session;
3. Calls upon the industrialized countries and other potential contributors to extend to the most seriously affected countries immediate relief and assistance which must be of an order of magnitude that is commensurate with the needs of these countries. Such assistance should be in addition to the existing level of aid and provided at a very early date to the maximum possible extent on a grant basis and, where not possible, on soft terms. The disbursement and relevant operational procedures and terms

3/ A/9548, annex.

4/ See A/PV.2208, pp. 2-50.

must reflect this exceptional situation. The assistance could be provided either through bilateral or multilateral channels, including such new institutions and facilities that have been or are to be set up. The special measures may include the following:

- (a) Special arrangements on particularly favourable terms and conditions including possible subsidies for and assured supplies of essential commodities and goods;
 - (b) Deferred payments for all or part of imports of essential commodities and goods;
 - (c) Commodity assistance, including food aid, on a grant basis or deferred payments in local currencies, bearing in mind that this should not adversely affect the exports of developing countries;
 - (d) Long-term suppliers' credits on easy terms;
 - (e) Long-term financial assistance on concessionary terms;
 - (f) Drawings from special International Monetary Fund facilities on concessional terms;
 - (g) Establishment of a link between the creation of special drawing rights and development assistance, taking into account the additional financial requirements of the most seriously affected countries;
 - (h) Subsidies, provided bilaterally or multilaterally, for interest on funds available on commercial terms borrowed by the most seriously affected countries;
 - (i) Debt renegotiation on a case-by-case basis with a view to concluding agreements on debt cancellation, moratorium or rescheduling;
 - (j) Provision on more favourable terms of capital goods and technical assistance to accelerate the industrialization of the affected countries;
 - (k) Investment in industrial and development projects on favourable terms;
 - (l) Subsidizing the additional transit and transport costs, especially of the land-locked countries;
4. Appeals to the developed countries to consider favourably the cancellation, moratorium or rescheduling of the debts of the most seriously affected developing countries, on their request, as an important contribution to mitigating the grave and urgent difficulties of these countries;
5. Decides to establish a Special Fund under the auspices of the United Nations, through voluntary contributions from industrialized countries and other potential contributors, as a part of the Special Programme, to

provide emergency relief and development assistance, which will commence its operations at the latest by 1 January 1975;

6. Establishes an Ad Hoc Committee on the Special Programme, composed of 36 Member States appointed by the President of the General Assembly, after appropriate consultations, bearing in mind the purposes of the Special Fund and its terms of reference:

(a) To make recommendations, inter alia, on the scope, machinery and modes of operation of the Special Fund, taking into account the need for:

- (i) Equitable representation on its governing body;
- (ii) Equitable distribution of its resources;
- (iii) Full utilization of the services and facilities of existing international organizations;
- (iv) The possibility of merging the United Nations Capital Development Fund with the operations of the Special Fund;
- (v) A central monitoring body to oversee the various measures being taken both bilaterally and multilaterally;

and, to this end, bearing in mind the different ideas and proposals submitted at the sixth special session, including those put forward by Iran 5/ and those made at the 2208th plenary meeting, and the comments thereon, and the possibility of utilizing the Special Fund to provide an alternative channel for normal development assistance after the emergency period;

(b) To monitor, pending commencement of the operations of the Special Fund, the various measures being taken both bilaterally and multilaterally to assist the most seriously affected countries;

(c) To prepare, on the basis of information provided by the countries concerned and by appropriate agencies of the United Nations system, a broad assessment of:

- (i) The magnitude of the difficulties facing the most seriously affected countries;
- (ii) The kind and quantities of the commodities and goods essentially required by them;
- (iii) Their need for financial assistance;
- (iv) Their technical assistance requirements, including especially access to technology;

7. Requests the Secretary-General of the United Nations, the Secretary-General of the United Nations Conference on Trade and Development, the President of the International Bank for Reconstruction and Development, the Managing Director of the International Monetary Fund, the Administrator of the United Nations Development Programme and the heads of the other competent international organizations to assist the Ad Hoc Committee on the Special Programme in performing the functions assigned to it under paragraph 6 above, and to help, as appropriate, in the operations of the Special Fund;

8. Requests the International Monetary Fund to expedite decisions on:

(a) The establishment of an extended special facility with a view to enabling the most seriously affected developing countries to participate in it on favourable terms;

(b) The creation of special drawing rights and the early establishment of the link between their allocation and development financing;

(c) The establishment and operation of the proposed new special facility to extend credits and subsidize interest charges on commercial funds borrowed by Member States, bearing in mind the interests of the developing countries and especially the additional financial requirements of the most seriously affected countries;

9. Requests the World Bank Group and the International Monetary Fund to place their managerial, financial and technical services at the disposal of Governments contributing to emergency financial relief so as to enable them to assist without delay in channelling funds to the recipients, making such institutional and procedural changes as may be required;

10. Invites the United Nations Development Programme to take the necessary steps, particularly at the country level, to respond on an emergency basis to requests for additional assistance which it may be called upon to render within the framework of the Special Programme;

11. Requests the Ad Hoc Committee on the Special Programme to submit its report and recommendations to the Economic and Social Council at its fifty-seventh session and invites the Council, on the basis of its consideration of that report, to submit suitable recommendations to the General Assembly at its twenty-ninth session;

12. Decides to consider as a matter of high priority at its twenty-ninth session, within the framework of a new international economic order, the question of special measures for the most seriously affected countries.

2229th plenary meeting
1 May 1974

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CANADIAN STATEMENT OF RESERVATIONS ON THE DECLARATION
AND PROGRAM OF ACTION

The Canadian delegation has joined in the decision which has marked the conclusion of this special session. We have done so in order to signify Canada's firm support for the basic objective of the special session--namely, an acceleration in the rate of development of developing countries and a more equitable distribution of the world's economic resources.

It is, however, necessary for my delegation to comment on certain of the specific provisions of the document. I turn first to the Declaration.

Our discussion of paragraph 4 (c), on permanent sovereignty and nationalization, revealed general agreement on the fundamental principle that each State enjoys permanent sovereignty over its natural resources and all economic activities within its territory. The problem we were unable to resolve relates to identifying those legal principles which are to apply when a State, in the exercise of its permanent sovereignty, adopts measures of nationalisation. My delegation considers that a State's right to undertake nationalization must be exercised in accordance with the generally accepted rules of international law and practice governing such an act.

The Canadian delegation wishes to enter a reservation with respect to paragraph 4 (f), which, as worded, appears to be at variance with international practice.

With respect to paragraph 4 (j), the Canadian delegation supports the objective of just and equitable prices for goods traded by developing countries and understands that to be the intention of this paragraph.

My delegation is able to support paragraph 4 (s), but we would expect co-operation among developing countries to be consistent with their international obligations.

With respect to paragraph 4 (t), my delegation recognizes the right of countries which are exporters of raw materials to seek an equitable return for their resources, just as consumers may associate in order to protect their interests. But in the view of the Canadian delegation the principle which flows from recognition of the economic interdependence of States, which is the basis of this entire Declaration, is the need for mutually beneficial co-operation between producing and consuming States. This paragraph does not, in our view, accurately reflect that principle.

I turn now to the Programme of Action.

The Canadian delegation recognizes the need for urgent action to mitigate the immediate difficulties of developing countries most seriously affected by economic crises. Canada considers such action to be vitally necessary, and it will be recalled that in

this special session's general debate the Secretary of State for External Affairs, the Honourable Mitchell Sharp, announced a number of concrete measures Canada itself is taking in that direction. It is our expectation that other advantaged countries and the international community as a whole will take a similarly positive and forthcoming attitude.

We do have problems, however, with the Programme of Action contained in the documents we have just adopted. Had there been a separate vote on the Programme of Action, my delegation would have been constrained to abstain. Our reservation stems from the fact that in the time available to this special session, it was not possible to refine in the text economic, trade and monetary issues which will have long-term implications for all members of the international community. Nor was it possible, again because of the lack of time, either to harmonize the text of the Programme of Action with that of the Declaration, or to reconcile the inconsistencies and contradictions within the Programme. I think it would be counter-productive to go into these problems in detail at this late stage.

It is my delegation's sincere hope and expectation that work on these important issues might continue in other appropriate organizations and bodies, both within and outside the United Nations. Indeed, we believe that the discussions begun here, the views we have exchanged, the hard work we have done, will enable Governments to address these questions more vigorously in more

specialized bodies. It is our hope also that these discussions will give further impetus to bilateral and multilateral steps to bring immediate relief to those developing countries most seriously affected by recent economic disorders.

I should like to make certain additional comments, briefly, directed specifically to chapter X of the Programme of Action.

The Canadian delegation supports chapter X, the Special Programme, including particularly emergency measures. We do so in the light of our perception of a need for urgent action to assist the developing countries most seriously affected by economic crisis.

Immediately prior to this special session, the Canadian Government decided to provide an additional \$100 million over and above originally projected development assistance programmes to meet the emergency needs of the hardest hit developing countries, particularly in the food and fertilizer areas. These funds are now being disbursed. We have stressed at this session that a renewed effort of international co-operation is called for in which full use should be made of those established and recognized international institutions which have experience and expertise in supporting development. The UNDP, the World Food Programme, the IBRD and the regional development banks are repositories of the technical skills now available to the international community. As such, they offer a ready means of securing early and effective

action.

We support the call for an emergency effort to be launched by the Secretary-General--who has shown such concern for all these problems in the course of the past weeks--as outlined in paragraph 2 of the Special Programme. On the scope of this Programme we consider that it would have had more attraction had it concentrated on urgent measures for the emergency period rather than more general problems of development. In this connexion we find the formula in operative paragraph 1 binding the time frame of a special fund to the remainder of the Second Development Decade less than satisfactory. Regarding the special fund which is introduced in operative paragraph 5, some Governments, particularly those which have not traditionally offered financial support to existing United Nations institutions, may find this fund a more attractive channel for emergency and development assistance to developing countries most seriously affected by recent economic events. In our view maximum use should be made of the existing international development institutions. Canada for its part has agreed to a contribution of \$276 million to the fourth replenishment of the IDA.

The text of this chapter does go somewhat beyond the scope of the special measures which in our view were first contemplated. In operative paragraphs 3 and 8, a number of monetary issues are raised. We would not wish it to be thought that our positions on a series of ongoing consultations on monetary issues,

under the auspices of the International Monetary Fund, are prejudged by acceptance of this Special Programme as a whole. We look forward to an early decision on the establishment and the operation of the proposed new special credit facility now under consideration in the IMF to alleviate the deteriorating balance-of-payments situation of the developing countries, especially those most seriously affected by recent economic events. Regarding operative paragraph 4, Canada will continue to give sympathetic consideration to the debt problems of developing countries.

Our support for chapter X as a whole should be seen as a reflection of our determination to make every effort to respond to the urgent and immediate needs of developing countries hardest hit by economic disasters.

Finally, may I conclude by observing that the extensive negotiations which have taken place on these documents throughout the special session have clearly shown the possibility for a higher degree of co-operation between developed and developing, producer and consumer countries, on the issues with which these documents deal than has ever been achieved in the past. It is our sincere hope and expectation that our work together, the progress made towards co-operation achieved at this special session, will be carried further into other bodies, both within and outside the family of the United Nations.

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Statements and Speeches

No. 75/26

THE CHALLENGE OF CHANGE

A Speech by the Secretary of State for External Affairs, the Honourable Allan J. MacEachen, at the Seventh Special Session of the United Nations General Assembly, New York, September 3, 1975.

The sixth special session of this General Assembly posed a grave challenge to the international community. The proposals for a new international economic order involve a far-reaching transformation of the world's economic relations. Let there be no doubt that a challenge of this magnitude demands from all of us a considered and forthcoming reply.

Thirty years ago, against a background of war, misery and economic collapse, a remarkable group of internationally-minded and far-sighted statesmen also faced the challenge of creating a new economic -- and political -- order. We owe the United Nations to their creativity and daring. We also owe to them those economic institutions whose existence and operations have done so much to increase economic growth and human well-being, such as the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade.

It is easy now to lose sight of the magnitude of these achievements. We have grown too familiar, perhaps, with the institutions these men created and, in recent years, we have become increasingly conscious of their shortcomings. But let us not forget that, with scant precedent to guide them, these remarkable statesmen created institutions and arrangements that provided a unique basis for international co-operation and economic growth. Now the challenge of the new international economic order is for us to apply a similarly innovative spirit to the changed circumstances of the present.

As I understand it, the new economic order is based upon two propositions:

- (1) that developing countries do not derive sufficient benefits from the existing system of international trade, investment and finance;
 - (2) that monetary instability, lagging economic growth, inflation and the impact of price increases of petroleum and other essential imports have demonstrated the shortcomings of the world economic system and the need for changes which will benefit
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developing countries.

Canada accepts the validity of these propositions and recognizes the need for changes in international economic relations to reduce disparities that we consider intolerable between rich and poor nations.

International development assistance

One -- indeed the most established -- of the ways of closing this gap between rich and poor, between developed and developing, is development assistance. This conception is one that we owe to the first generation of postwar leaders. Novel in 1945, it has since become firmly established as an instrument of international co-operation through the creation of the International Development Association (IDA), UNDP, the regional development banks, and the extensive network of bilateral development-assistance programs.

But the proposals for a new economic order call for a fresh approach to development assistance. Its purpose, scope and character must be altered to fit the new circumstances of the Seventies.

Canada's response is contained in a new Strategy for International Development Co-operation for 1975-80, which was made public by the Canadian Government yesterday in Ottawa. Allow me to mention the main features of our new Strategy, which is designed to meet these new demands:

- (1) We pledge to continue and to increase our programs of development assistance. This year our disbursements will exceed \$900 million, and they will grow significantly in the years ahead.
 - (2) We are determined to achieve for official development assistance the official UN target of .7 per cent of our GNP and to move toward it by annual increases in proportion to GNP.
 - (3) We intend to place major emphasis on fostering economic growth and the evolution of social systems in such a way that they will produce the widest distribution of benefits among the population of developing countries.
 - (4) We plan to concentrate the bulk of our bilateral assistance on the poorest countries and on the poorest sectors of their economies.
 - (5) We plan to develop new forms of co-operation to meet the needs of middle-income developing countries in order to strengthen
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their potential for more self-reliant development.

- (6) We pledge to maintain a degree of concessionality in our bilateral programs of not less than 90 per cent. The grant component of Canada's development assistance is at present 95 per cent.
- (7) We intend to untie bilateral development loans so that developing countries will be eligible to compete for contracts.
- (8) We reiterate our pledge made at the World Food Conference to provide a minimum of one million tons of grain a year as food aid for each of the current and the next two fiscal years.
- (9) We plan greater emphasis on programs of agricultural and rural development in developing countries.

But aid alone is not the answer. It must be supplemented by measures in the areas of trade, investment and finance from which developing countries can derive greater benefit. Development assistance tends to be concentrated on the poorest countries. Broader measures of international economic co-operation will bring greater benefit to those countries that have advanced further towards self-reliant growth. In this respect we must be ready to consider new ideas and new approaches.

Basic Canadian response

The Government has reached certain broad conclusions on its approach to co-operation with developing countries:

- (1) We agree that there must be adjustments in the international economic system that will lead to a more rapid reduction in the disparities between developed and developing countries.
- (2) We consider that the transfer of resources that these adjustments would entail can best be achieved in the context of a growing world economy.
- (3) We believe the reform of existing institutions, where possible, is preferable to the establishment of new ones.
- (4) We believe positive co-operation rather than confrontation is required to solve difficulties, particularly in the area of commodities and other raw materials, including energy resources.

The discussions and negotiations now under way will establish the

framework of world trade and finance in the 1980s. There is much at stake for both developed and developing countries. I wish now to turn to three areas of particular concern to developing countries -- commodities, trade liberalization and industrial co-operation.

Commodities

The area that has been accorded the greatest attention of late is commodities. This attention is undoubtedly justified. As both an importer and an exporter, Canada regards the instability of the international commodities market as a major weakness of the international trading system.

How can we best deal with the "boom or bust" phenomenon in commodity trade?

- (1) We believe commodity arrangements involving both producers and consumers constitute the most practical approach to the problem. Canada was an early supporter of commodity arrangements, including formal agreements on a commodity-by-commodity basis. We are one of the few countries that have adhered to all the major commodity agreements.
 - (2) We are prepared to examine positively the idea of negotiating arrangements for a wide range of products, including, but not limited to, those listed in UNCTAD's Integrated Approach.
 - (3) We recognize that the use of buffer stocks and alternative stock mechanisms may be an appropriate stabilizing technique for a number of commodities.
 - (4) The conception of a common fund for financing such stocks is certainly worth examination. We are prepared to consider this conception sympathetically, along with other potential donors, including both producers and consumers.
 - (5) We recognize that commodity prices cannot be determined without reference to market forces. At the same time, we are well aware that no one's interest is served by commodity prices that are so low as to discourage production.
 - (6) We believe new features in commodity agreements to take account of international inflation and exchange rate changes should be explored.
 - (7) We wish to pursue these issues in the context of UNCTAD's Integrated Approach.
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Trade liberalization

On trade liberalization, we believe that improved access to markets can yield significant benefits to developing countries:

- (1) At present, 75 per cent of Canada's imports from developing countries enter duty free, and we have proposed in the trade negotiations the removal of all duties on tropical products by industrialized countries.
- (2) We are prepared to consider deeper tariff cuts and advance implementation on an MFN basis of other tariff cuts of particular interest to developing countries in the trade negotiations now taking place in Geneva.
- (3) We are also reviewing our generalized system of tariff preferences for developing countries in light of their suggestions for improvements.
- (4) We recognize the importance that developing countries attach to the further processing of their commodities prior to export. Indeed, we share with them a common interest in the removal of tariff escalation and non-tariff barriers that impede the establishment of efficient processing facilities in the resource-exporting countries. In our view, the "sector" approach is the most effective technique for achieving this goal in the multi-lateral trade negotiations.

Industrial co-operation

The further industrialization of developing countries is an essential element in any concerted attack on the disparities between rich and poor. In shaping the world of the 1980s, we must aim to bring about faster and more balanced industrialized growth in the developing countries. We recognize that developed countries must contribute to this process.

Two of the elements essential to more rapid industrial growth -- investment and technology -- are primarily available from the private sector in industrialized countries; accordingly, we believe there is an urgent need to reconcile the legitimate interests of developing countries -- their need for capital, their right to sovereignty over their natural resources, their control over their own economic destinies -- with the role of the private sector in providing capital and technology.

Industrial co-operation on a bilateral basis may be an effective

means of reconciling these interests. It might incorporate a variety of instruments, including investment, technical assistance, management training and counselling, and at the same time provide a legal framework within which the private sector can operate to the benefit of both participating partners.

We believe that a model industrial co-operation agreement might be drawn up internationally as a guide to governments and the private sector.

We favour the provision of information and expertise to developing countries on the means whereby host countries can identify and articulate their national priorities concerning transnational corporations.

We are prepared to put our own experience in the establishment of screening mechanisms, statistical methods, and techniques of taxation at the disposal of developing countries. We support international efforts to enable developing countries to assess their own interests more clearly and to negotiate effectively the terms of the entry of transnational corporations in a manner consistent with their national goals.

The Commonwealth expert group's report

We have stressed the need for concrete measures to assist developing countries in sharing more equitably in the world's wealth and resources. In the past four months we have been involved in productive discussion with our partners in the Commonwealth on practical measures that contribute to closing the gap between developed and developing countries.

The report entitled *Towards a New International Economic Order*, prepared by a Commonwealth group of experts on the instructions of the Commonwealth heads of government, I understand is being made available to members of this Assembly. Last week at the Commonwealth finance ministers' meeting in Georgetown, Commonwealth countries (and I quote from the communiqué) "gave general endorsement to the report and agreed that the early implementation of these proposals would constitute a first step towards achieving the progressive removal of the wide disparities of wealth now existing between different sections of mankind". The report does not represent the full answer to our problems. Certain of its recommendations present a challenge to existing Canadian policy. However, we consider this report a most valuable document because of its practical nature and the high degree of consensus that exists on its provisions, a consensus that extends to countries from all six continents. We believe

the report can provide an aid to the conduct of negotiations and to the national formulation of policy with the ultimate aim of closing the gap in living standards. I commend its practical approach and its emphasis on concrete measures to this Assembly.

Over the course of the past several months, as well as in the debate here, we have heard some important and imaginative proposals both from developed and developing countries. They all deserve careful study. The atmosphere, as I see it, is conducive to progress and change. We must seize this opportunity. During the next ten days, we must work through the *Ad Hoc* Committee and through informal consultations and negotiations, to achieve a result in this session which will launch us in the right direction for dealing with the challenges of the future.

Conclusion

I have outlined in broad terms the position of the Government of Canada on the principal issues confronting this session. I wish to stress again the need for real and not imagined progress, for plans and negotiations, and not paper and rhetoric. We are determined to play a positive role, to invest our resources and our influence, in renewed efforts to bring about constructive change in the international economic system and thereby reduce the glaring disparities between rich and poor nations. It is our hope that this session will be a constructive step in that direction.

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MONTREAL, QUÉBEC

**RESOLUTION ADOPTED ON THE REPORT OF THE AD HOC COMMITTEE
OF THE SEVENTH SPECIAL SESSION**

3362 (S-VII). Development and international economic co-operation

The General Assembly,

Determined to eliminate injustice and inequality which afflict vast sections of humanity and to accelerate the development of developing countries,

Recalling the Declaration and the Programme of Action on the Establishment of a New International Economic Order,¹⁰ as well as the Charter of Economic Rights and Duties of States,¹¹ which lay down the foundations of the new international economic order.

Reaffirming the fundamental purposes of the above-mentioned documents and the rights and duties of all States to seek and participate in the solutions of the problems afflicting the world, in particular the imperative need of redressing the economic imbalance between developed and developing countries,

Recalling further the International Development Strategy for the Second United Nations Development Decade,¹² which should be reviewed in the light of the Programme of Action on the Establishment of a New International Economic Order, and determined to implement the targets and policy measures contained in the International Development Strategy,

Conscious that the accelerated development of developing countries would be a decisive element for the promotion of world peace and security,

Recognizing that greater co-operation among States in the fields of trade, industry, science and technology as well as in other fields of economic activities, based on the principles of the Declaration and the Programme of Action on the Establishment of a New International Economic Order and of the Charter of Economic Rights and Duties of States, would also contribute to strengthening peace and security in the world,

Believing that the over-all objective of the new international economic order is to increase the capacity of developing countries, individually and collectively, to pursue their development,

Decides, to this end and in the context of the foregoing, to set in motion the following measures as the basis and framework for the work of the competent bodies and organizations of the United Nations system:

I. INTERNATIONAL TRADE

1. Concerted efforts should be made in favour of the developing countries towards expanding and diversifying their trade, improving and diversifying their productive capacity, improving their productivity and increasing their export earnings, with a view

to counteracting the adverse effects of inflation—thereby sustaining real incomes—and with a view to improving the terms of trade of the developing countries and in order to eliminate the economic imbalance between developed and developing countries.

2. Concerted action should be taken to accelerate the growth and diversification of the export trade of developing countries in manufactures and semi-manufactures and in processed and semi-processed products in order to increase their share in world industrial output and world trade within the framework of an expanding world economy.

3. An important aim of the fourth session of the United Nations Conference on Trade and Development, in addition to work in progress elsewhere, should be to reach decisions on the improvement of market structures in the field of raw materials and commodities of export interest to the developing countries, including decisions with respect to an integrated programme and the applicability of elements thereof. In this connexion, taking into account the distinctive features of individual raw materials and commodities, the decisions should bear on the following:

(a) Appropriate international stocking and other forms of market arrangements for securing stable, remunerative and equitable prices for commodities of export interest to developing countries and promoting equilibrium between supply and demand, including, where possible, long-term multilateral commitments;

(b) Adequate international financing facilities for such stocking and market arrangements;

(c) Where possible, promotion of long-term and medium-term contracts;

(d) Substantial improvement of facilities for compensatory financing of export revenue fluctuations through the widening and enlarging of the existing facilities. Note has been taken of the various proposals regarding a comprehensive scheme for the stabilization of export earnings of developing countries and for a development security facility as well as specific measures for the benefit of the developing countries most in need;

(e) Promotion of processing of raw materials in producing developing countries and expansion and diversification of their exports, particularly to developed countries;

(f) Effective opportunities to improve the share of developing countries in transport, marketing and distribution of their primary commodities and to encourage measures of world significance for the evolution of the infrastructure and secondary capacity of developing countries from the production of

¹⁰ Resolutions 3201 (S-VI) and 3202 (S-VI).

¹¹ Resolution 3281 (XXIX).

¹² Resolution 2626 (XXV).

4. Developed countries and international organizations should enhance the real value and volume of assistance to developing countries and ensure that the developing countries obtain the largest possible share in the procurement of equipment, consultants and consultancy services. Such assistance should be on softer terms and, as a general rule, untied.

5. In order to enlarge the pool of resources available for financing development, there is an urgent need to increase substantially the capital of the World Bank Group, in particular the resources of the International Development Association, to enable it to make additional capital available to the poorest countries on highly concessional terms.

6. The resources of the development institutions of the United Nations system, in particular the United Nations Development Programme, should also be increased. The funds at the disposal of the regional development banks should be augmented. These increases should be without prejudice to bilateral development assistance flows.

7. To the extent desirable, the World Bank Group is invited to consider new ways of supplementing its financing with private management, skills, technology and capital and also new approaches to increase financing of development in developing countries, in accordance with their national plans and priorities.

8. The burden of debt on developing countries is increasing to a point where the import capacity as well as reserves have come under serious strain. At its fourth session the United Nations Conference on Trade and Development shall consider the need for, and the possibility of, convening as soon as possible a conference of major donor, creditor and debtor countries to devise ways and means to mitigate this burden, taking into account the development needs of developing countries, with special attention to the plight of the most seriously affected countries as defined in General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).

9. Developing countries should be granted increased access on favourable terms to the capital markets of developed countries. To this end, the joint Development Committee of the International Monetary Fund and the International Bank for Reconstruction and Development should progress as rapidly as possible in its work. Appropriate United Nations bodies and other related intergovernmental agencies should be invited to examine ways and means of increasing the flow of public and private resources to developing countries, including proposals made at the current session to provide investment in private and public enterprises in the developing countries. Consideration should be given to the examination of an international investment trust and to the expansion of the International Finance Corporation capital without prejudice to the increase in resources of other intergovernmental financial and development institutions and bilateral assistance flows.

10. Developed and developing countries should further co-operate through investment of financial resources and supply of technology and equipment to developing countries by developed countries and by developing countries in a position to do so.

11. Developed countries, and developing countries in a position to do so, are urged to make ade-

quate contributions to the United Nations Special Fund with a view to an early implementation of a programme of lending, preferably in 1976.

12. Developed countries should improve terms and conditions of their assistance so as to include a preponderant grant element for the least developed, land-locked and island developing countries.

13. In providing additional resources for assisting the most seriously affected countries in helping them to meet their serious balance-of-payments deficits, all developed countries, and developing countries in a position to do so, and international organizations such as the International Bank for Reconstruction and Development and the International Monetary Fund, should undertake specific measures in their favour, including those provided in General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).

14. Special attention should be given by the international community to the phenomena of natural disasters which frequently afflict many parts of the world, with far-reaching devastating economic, social and structural consequences, particularly in the least developed countries. To this end, the General Assembly at its thirtieth session, in considering this problem, should examine and adopt appropriate measures.

15. The role of national reserve currencies should be reduced and the special drawing rights should become the central reserve asset of the international monetary system in order to provide for greater international control over the creation and equitable distribution of liquidity and in order to limit potential losses as a consequence of exchange rate fluctuations. Arrangements for gold should be consistent with the agreed objective of reducing the role of gold in the system and with equitable distribution of new international liquidity and should in particular take into consideration the needs of developing countries for increased liquidity.

16. The process of decision-making should be fair and responsive to change and should be most specially responsive to the emergence of a new economic influence on the part of developing countries. The participation of developing countries in the decision-making process in the competent organs of international finance and development institutions should be adequately increased and made more effective without adversely affecting the broad geographic representation of developing countries and in accordance with the existing and evolving rules.

17. The compensatory financing facility now available through the International Monetary Fund should be expanded and liberalized. In this connexion, early consideration should be given by the Fund and other appropriate United Nations bodies to various proposals made at the current session—including the examination of a new development security facility—which would mitigate export earnings shortfalls of developing countries, with special regard to the poorest countries, and thus provide greater assistance to their continued economic development. Early consideration should also be given by the International Monetary Fund to proposals to expand and liberalize its coverage of current transactions to include manufactures and services, to ensure that, whenever possible, compensation for export shortfalls takes place at the same time they

occur, to take into account, in determining the quantum of compensation, movements in import prices and to lengthen the repayment period.

18. Drawing under the buffer stock financing facility of the International Monetary Fund should be accorded treatment with respect to floating alongside the gold tranche, similar to that under the compensatory financing facility, and the Fund should expedite its study of the possibility of an amendment of the Articles of Agreement, to be presented to the Interim Committee, if possible at its next meeting, that would permit the Fund to provide assistance directly to international buffer stocks of primary products.

III. SCIENCE AND TECHNOLOGY

1. Developed and developing countries should co-operate in the establishment, strengthening and development of the scientific and technological infrastructure of developing countries. Developed countries should also take appropriate measures, such as contribution to the establishment of an industrial technological information bank and consideration of the possibility of regional and sectoral banks, in order to make available a greater flow to developing countries of information permitting the selection of technologies, in particular advanced technologies. Consideration should also be given to the establishment of an international centre for the exchange of technological information for the sharing of research findings relevant to developing countries. For the above purposes institutional arrangements within the United Nations system should be examined by the General Assembly at its thirtieth session.

2. Developed countries should significantly expand their assistance to developing countries for direct support to their science and technology programmes, as well as increase substantially the proportion of their research and development devoted to specific problems of primary interest to developing countries, and in the creation of suitable indigenous technology, in accordance with feasible targets to be agreed upon. The General Assembly invites the Secretary-General to carry out a preliminary study and to report to the Assembly at its thirty-first session on the possibility of establishing, within the framework of the United Nations system, an international energy institute to assist all developing countries in energy resources research and development.

3. All States should co-operate in evolving an international code of conduct for the transfer of technology, corresponding, in particular, to the special needs of the developing countries. Work on such a code should therefore be continued within the United Nations Conference on Trade and Development and concluded in time for decisions to be reached at the fourth session of the Conference, including a decision on the legal character of such a code with the objective of the adoption of a code of conduct prior to the end of 1977. International conventions on patents and trade marks should be reviewed and revised to meet, in particular, the special needs of the developing countries, in order that these conventions may become more satisfactory instruments for aiding developing countries in the transfer and development of technology. National patents systems should, without delay, be brought into line with the international patent system in its revised form.

4. Developed countries should facilitate the access of developing countries on favourable terms and conditions, and on an urgent basis, to *informatique*, to relevant information on advanced and other technologies suited to their specific needs as well as on new uses of existing technology, new developments and possibilities of adapting them to local needs. Inasmuch as in market economies advanced technologies with respect to industrial production are most frequently developed by private institutions, developed countries should facilitate and encourage these institutions in providing effective technologies in support of the priorities of developing countries.

5. Developed countries should give developing countries the freest and fullest possible access to technologies whose transfer is not subject to private decision.

6. Developed countries should improve the transparency of the industrial property market in order to facilitate the technological choices of developing countries. In this respect, relevant organizations of the United Nations system, with the collaboration of developed countries, should undertake projects in the fields of information, consultancy and training for the benefit of developing countries.

7. A United Nations Conference on Science and Technology for Development should be held in 1978 or 1979 with the main objectives of strengthening the technological capacity of developing countries to enable them to apply science and technology to their own development; adopting effective means for the utilization of scientific and technological potentials in the solution of development problems of regional and global significance, especially for the benefit of developing countries; and providing instruments of co-operation to developing countries in the utilization of science and technology for solving socio-economic problems that cannot be solved by individual action, in accordance with national priorities, taking into account the recommendations made by the Intergovernmental Working Group of the Committee on Science and Technology for Development.

8. The United Nations system should play a major role, with appropriate financing, in achieving the above-stated objectives and in developing scientific and technological co-operation between all States in order to ensure the application of science and technology to development. The work of the relevant United Nations bodies, in particular that of the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the International Labour Organisation, the United Nations Educational, Scientific and Cultural Organization, the Food and Agriculture Organization of the United Nations, the World Intellectual Property Organization and the United Nations Development Programme, to facilitate the transfer and diffusion of technology should be given urgent priority. The Secretary-General of the United Nations should take steps to ensure that the technology and experience available within the United Nations system is widely disseminated and readily available to the developing countries in need of it.

9. The World Health Organization and the competent organs of the United Nations system, in particular the United Nations Children's Fund, should intensify the international effort aimed at improving health conditions in developing countries by giving

priority to prevention of disease and malnutrition and by providing primary health services to the communities, including maternal and child health and family welfare.

10. Since the outflow of qualified personnel from developing to developed countries seriously hampers the development of the former, there is an urgent need to formulate national and international policies to avoid the "brain drain" and to obviate its adverse effects.

IV. INDUSTRIALIZATION

1. The General Assembly endorses the Lima Declaration and Plan of Action on Industrial Development Co-operation¹⁸ and requests all Governments to take individually and/or collectively the necessary measures and decisions required to implement effectively their undertakings in terms of the Lima Declaration and Plan of Action.

2. Developed countries should facilitate the development of new policies and strengthen existing policies, including labour market policies, which would encourage the redeployment of their industries which are less competitive internationally to developing countries, thus leading to structural adjustments in the former and a higher degree of utilization of natural and human resources in the latter. Such policies may take into account the economic structure and the economic, social and security objectives of the developed countries concerned and the need for such industries to move into more viable lines of production or into other sectors of the economy.

3. A system of consultations as provided for by the Lima Plan of Action should be established at the global, regional, interregional and sectoral levels within the United Nations Industrial Development Organization and within other appropriate international bodies, between developed and developing countries and among developing countries themselves, in order to facilitate the achievement of the goals set forth in the field of industrialization, including the redeployment of certain productive capacities existing in developed countries and the creation of new industrial facilities in developing countries. In this context, the United Nations Industrial Development Organization should serve as a forum for negotiation of agreements in the field of industry between developed and developing countries and among developing countries themselves, at the request of the countries concerned.

4. The Executive Director of the United Nations Industrial Development Organization should take immediate action to ensure the readiness of that organization to serve as a forum for consultations and negotiation of agreements in the field of industry. In reporting to the next session of the Industrial Development Board on actions taken in this respect, the Executive Director should also include proposals for the establishment of a system of consultations. The Industrial Development Board is invited to draw up, at an early date, the rules of procedure according to which this system would operate.

5. To promote co-operation between developed and developing countries, both should endeavour to disseminate appropriate information about their priority areas for industrial co-operation and the form

they would like such co-operation to take. The efforts undertaken by the United Nations Conference on Trade and Development on tripartite co-operation between countries having different economic and social systems could lead to constructive proposals for the industrialization of developing countries.

6. Developed countries should, whenever possible, encourage their enterprises to participate in investment projects within the framework of the development plans and programmes of the developing countries which so desire; such participation should be carried out in accordance with the laws and regulations of the developing countries concerned.

7. A joint study should be undertaken by all Governments under the auspices of the United Nations Industrial Development Organization, in consultation with the Secretary-General of the United Nations Conference on Trade and Development, making full use of the knowledge, experience and capacity existing in the United Nations system of methods and mechanisms for diversified financial and technical co-operation which are geared to the special and changing requirements of international industrial co-operation, as well as of a general set of guidelines for bilateral industrial co-operation. A progress report on this study should be submitted to the General Assembly at its thirty-first session.

8. Special attention should be given to the particular problems in the industrialization of the least developed, land-locked and island developing countries—in order to put at their disposal those technical and financial resources as well as critical goods which need to be provided to them to enable them to overcome their specific problems and to play their due role in the world economy, warranted by their human and material resources.

9. The General Assembly endorses the recommendation of the Second General Conference of the United Nations Industrial Development Organization to convert that organization into a specialized agency and decides to establish a Committee on the Drafting of a Constitution for the United Nations Industrial Development Organization, which shall be an inter-governmental committee of the whole, including States which participated in the Second General Conference, to meet in Vienna to draw up a constitution for the United Nations Industrial Development Organization as a specialized agency, to be submitted to a conference of plenipotentiaries to be convened by the Secretary-General in the last quarter of 1976.

10. In view of the importance of the forthcoming Tripartite World Conference on Employment, Income Distribution, Social Progress and the International Division of Labour, Governments should undertake adequate preparations and consultations.

V. FOOD AND AGRICULTURE

1. The solution to world food problems lies primarily in rapidly increasing food production in the developing countries. To this end, urgent and necessary changes in the pattern of world food production should be introduced and trade policy measures should be implemented, in order to obtain a notable increase in agricultural production and the export earnings of developing countries.

2. To achieve these objectives, it is essential that developed countries, and developing countries in a

¹⁸ See A/10112, chap. IV.

position to do so, should substantially increase the volume of assistance to developing countries for agriculture and food production, and that developed countries should effectively facilitate access to their markets for food and agricultural products of export interest to developing countries, both in raw and processed form, and adopt adjustment measures, where necessary.

3. Developing countries should accord high priority to agricultural and fisheries development, increase investment accordingly and adopt policies which give adequate incentives to agricultural producers. It is a responsibility of each State concerned, in accordance with its sovereign judgement and development plans and policies, to promote interaction between expansion of food production and socio-economic reforms, with a view to achieving an integrated rural development. The further reduction of post-harvest food losses in developing countries should be undertaken as a matter of priority, with a view to reaching at least a 50 per cent reduction by 1985. All countries and competent international organizations should co-operate financially and technically in the effort to achieve this objective. Particular attention should be given to improvement in the systems of distribution of food-stuffs.

4. The Consultative Group on Food Production and Investment in Developing Countries should quickly identify developing countries having the potential for most rapid and efficient increase of food production, as well as the potential for rapid agricultural expansion in other developing countries, especially the countries with food deficits. Such an assessment would assist developed countries and the competent international organizations to concentrate resources for the rapid increase of agricultural production in the developing countries.

5. Developed countries should adopt policies aimed at ensuring a stable supply and sufficient quantity of fertilizers and other production inputs to developing countries at reasonable prices. They should also provide assistance to, and promote investments in, developing countries to improve the efficiency of their fertilizer and other agricultural input industries. Advantage should be taken of the mechanism provided by the International Fertilizer Supply Scheme.

6. In order to make additional resources available on concessional terms for agricultural development in developing countries, developed countries and developing countries in a position to do so should pledge, on a voluntary basis, substantial contributions to the proposed International Fund for Agricultural Development so as to enable it to come into being by the end of 1975, with initial resources of SDR 1,000 million. Thereafter, additional resources should be provided to the Fund on a continuing basis.

7. In view of the significant impact of basic and applied agricultural research on increasing the quantity and quality of food production, developed countries should support the expansion of the work of the existing international agricultural research centres. Through their bilateral programmes they should strengthen their links with these international research centres and with the national agricultural research centres in developing countries. With respect to the improvement of the productivity and

competitiveness with synthetics of non-food agricultural and forestry products, research and technological assistance should be co-ordinated and financed through an appropriate mechanism.

8. In view of the importance of food aid as a transitional measure, all countries should accept both the principle of a minimum food aid target and the concept of forward planning of food aid. The target for the 1975-1976 season should be 10 million tons of food grains. They should also accept the principle that food aid should be channelled on the basis of objective assessment of requirements in the recipient countries. In this respect all countries are urged to participate in the Global Information and Early Warning System on Food and Agriculture.

9. Developed countries should increase the grant component of food aid, where food is not at present provided as grants, and should accept multilateral channelling of these resources at an expanding rate. In providing food grains and financing on soft terms to developing countries in need of such assistance, developed countries and the World Food Programme should take due account of the interests of the food-exporting developing countries and should ensure that such assistance includes, wherever possible, purchases of food from the food-exporting developing countries.

10. Developed countries, and developing countries in a position to do so, should provide food grains and financial assistance on most favourable terms to the most seriously affected countries, to enable them to meet their food and agricultural development requirements within the constraints of their balance-of-payments position. Donor countries should also provide aid on soft terms, in cash and in kind, through bilateral and multilateral channels, to enable the most seriously affected countries to obtain their estimated requirements of about 1 million tons of plant nutrients during 1975-1976.

11. Developed countries should carry out both their bilateral and multilateral food aid channelling in accordance with the procedures of the Principles of Surplus Disposal of the Food and Agriculture Organization of the United Nations so as to avoid causing undue fluctuations in market prices or the disruption of commercial markets for exports of interest to exporting developing countries.

12. All countries should subscribe to the International Undertaking on World Food Security. They should build up and maintain world food-grain reserves, to be held nationally or regionally and strategically located in developed and developing, importing and exporting countries, large enough to cover foreseeable major production shortfalls. Intensive work should be continued on a priority basis in the World Food Council and other appropriate forums in order to determine, *inter alia*, the size of the required reserve, taking into account among other things the proposal made at the current session that the components of wheat and rice in the total reserve should be 30 million tons. The World Food Council should report to the General Assembly on this matter at its thirty-first session. Developed countries should assist developing countries in their efforts to build up and maintain their agreed shares of such reserves. Pending the establishment of the world food-grain reserve, developed countries and developing countries in a position to do so

should earmark stocks and/or funds to be placed at the disposal of the World Food Programme as an emergency reserve to strengthen the capacity of the Programme to deal with crisis situations in developing countries. The aim should be a target of not less than 500,000 tons.

13. Members of the General Assembly reaffirm their full support for the resolutions of the World Food Conference and call upon the World Food Council to monitor the implementation of the provisions under section V of the present resolution and to report to the General Assembly at its thirty-first session.

VI. CO-OPERATION AMONG DEVELOPING COUNTRIES

1. Developed countries and the United Nations system are urged to provide, as and when requested, support and assistance to developing countries in strengthening and enlarging their mutual co-operation at subregional, regional and interregional levels. In this regard, suitable institutional arrangements within the United Nations development system should be made and, when appropriate, strengthened, such as those within the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization and the United Nations Development Programme.

2. The Secretary-General, together with the relevant organizations of the United Nations system, is requested to continue to provide support to ongoing projects and activities, and to commission further studies through institutions in developing countries, which would take into account the material already available within the United Nations system, including in particular the regional commissions and the United Nations Conference on Trade and Development, and in accordance with existing subregional and regional arrangements. These further studies, which should be submitted to the General Assembly at its thirty-first session, should, as a first step, cover:

(a) Utilization of know-how, skills, natural resources, technology and funds available within developing countries for promotion of investments in industry, agriculture, transport and communications;

(b) Trade liberalization measures including payments and clearing arrangements, covering primary commodities, manufactured goods and services, such as banking, shipping, insurance and reinsurance;

(c) Transfer of technology.

3. These studies on co-operation among developing countries, together with other initiatives, would contribute to the evolution towards a system for the economic development of developing countries.

VII. RESTRUCTURING OF THE ECONOMIC AND SOCIAL SECTORS OF THE UNITED NATIONS SYSTEM

1. With a view to initiating the process of restructuring the United Nations system so as to make it more fully capable of dealing with problems of inter-

national economic co-operation and development in a comprehensive and effective manner, in pursuance of General Assembly resolutions 3172 (XXVIII) of 17 December 1973 and 3343 (XXIX) of 17 December 1974, and to make it more responsive to the requirements of the provisions of the Declaration and the Programme of Action on the Establishment of a New International Economic Order as well as those of the Charter of Economic Rights and Duties of States, an *Ad Hoc* Committee on the Restructuring of the Economic and Social Sectors of the United Nations System, which shall be a committee of the whole of the General Assembly open to the participation of all States,¹⁶ is hereby established to prepare detailed action proposals. The *Ad Hoc* Committee should start its work immediately and inform the General Assembly at its thirtieth session on the progress made, and submit its report to the Assembly at its thirty-first session, through the Economic and Social Council at its resumed session. The *Ad Hoc* Committee should take into account in its work, *inter alia*, the relevant proposals and documentation submitted in preparation for the seventh special session of the General Assembly pursuant to Assembly resolution 3343 (XXIX) and other relevant decisions, including the report of the Group of Experts on the Structure of the United Nations System entitled *A New United Nations Structure for Global Economic Co-operation*,¹⁷ the records of the relevant deliberations of the Economic and Social Council, the Trade and Development Board, the Governing Council of the United Nations Development Programme and the seventh special session of the General Assembly, as well as the results of the forthcoming deliberations on institutional arrangements of the United Nations Conference on Trade and Development at its fourth session and of the Governing Council of the United Nations Environment Programme at its fourth session. All United Nations organs, including the regional commissions, as well as the specialized agencies and the International Atomic Energy Agency, are invited to participate at the executive level in the work of the *Ad Hoc* Committee and to respond to requests that the Committee may make to them for information, data or views.

2. The Economic and Social Council should meanwhile continue the process of rationalization and reform which it has undertaken in accordance with Council resolution 1768 (LIV) of 18 May 1973 and General Assembly resolution 3341 (XXIX) of 17 December 1974, and should take into full consideration those recommendations of the *Ad Hoc* Committee that fall within the scope of these resolutions, at the latest at its resumed sixty-first session.

2349th plenary meeting
16 September 1975

¹⁶ It is the understanding of the General Assembly that the "all States" formula will be applied in accordance with the established practice of the General Assembly.

¹⁷ E/AC.62/9 (United Nations publication, Sales No. E.75.II.A.7).

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FINAL CANADIAN STATEMENT IN PLENARY TO 7TH SPECIAL SESSION

The results of this special session represent a significant and perhaps an historic achievement. In the past two weeks, negotiations have taken place in an extremely cooperative and constructive atmosphere on the full range of issues relating to international economic cooperation and development. The results to us are most heartening. The achievement of such a wide area of agreement on the range of complex issues on our agenda will serve the interests of the international community as a whole. This session marks an important step on the road toward lessening the disparities between developed and developing countries. The meaningful and productive dialogue on which we have all embarked is also a milestone for the consensus approach in the U. N., and for the central role the U. N. can play. This will be an example for the future work of this body and will inspire each of our governments in the formulation of its policies in the months ahead.

In conclusion, Mr. President, Canada looks forward to working in a constructive and positive way with all governments in all international institutions and conferences in the years ahead towards the building of a new international economic order.

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Agenda item 48

CHARTER OF ECONOMIC RIGHTS AND DUTIES OF STATES

Report of the Second Committee

Rapporteur: Mr. Luis LASCARRO (Colombia)

1. The General Assembly, at its 2237th plenary meeting, on 21 September 1974, allocated to the Second Committee agenda item 48, entitled "Charter of Economic Rights and Duties of States".
2. The Second Committee considered this item in the context of its general debate at its 1587th to 1598th and 1600th and 1601st meetings, between 23 September and 8 October 1974. The Committee resumed its consideration of the item at its 1638th to 1644th and 1647th to 1651st meetings, on 25, 27, 28 November and between 2 and 9 December 1974. An account of the discussions of the Committee on the item is contained in the relevant summary records (A/C.2/SR.1587-1598, 1600, 1601, 1638-1644 and 1647-1651).
3. For the consideration of the item, the Committee had before it the report of the Trade and Development Board on the first part of its fourteenth session, 1/ and the report of the Working Group on the Charter of Economic Rights and Duties of States on its third and fourth sessions (TD/B/AC.12/3 and TD/B/AC.12/4).
4. At the 1638th meeting, on 25 November, the Chairman of the Working Group of the United Nations Conference on Trade and Development on the Charter of Economic Rights and Duties of States, made a statement, in which he introduced the report of the Working Group (TD/B/AC.12/3 and TD/B/AC.12/4).

1/ Official Records of the General Assembly, Twenty-ninth Session, Supplement No. 15 (A/9615).

5. At the 1639th meeting, on 27 November, the representative of Mexico, on behalf of Afghanistan, Algeria, Argentina, Bahrain, Bahamas, Bangladesh, Barbados, Bhutan, Bolivia, Botswana, Burma, Burundi, the Central African Republic, Chad, Chile, the Congo, Colombia, Costa Rica, Cuba, Cyprus, Dahomey, Democratic Yemen, the Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, the Khmer Republic, Kuwait, Laos, Lebanon, Lesotho, Liberia, the Libyan Arab Republic, Madagascar, Malawi, Malaysia, the Maldives, Mali Mauritania, Mauritius, Mexico, Morocco, Nepal, Nicaragua, the Niger, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, the Philippines, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Sri Lanka, Sudan, Swaziland, the Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, the United Arab Emirates, the United Republic of Cameroon, the United Republic of Tanzania, the Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia, Zaire and Zambia, 2/ introduced a draft resolution (A/C.2/L.1386), entitled "Charter of Economic Rights and Duties of States", the text of which read as follows:

The General Assembly,

Recalling that the United Nations Conference on Trade and Development, in its resolution 45 (III) of 18 May 1972, stressed the urgency "to establish generally accepted norms to govern international economic relations systematically" and recognized that "it is not feasible to establish a just order and a stable world as long as the Charter to protect the rights of all countries, and in particular the developing States, is not formulated",

Recalling further that in the same resolution it was decided to establish a Working Group of governmental representatives to draw up a draft Charter of Economic Rights and Duties of States, which the General Assembly, in its resolution 3037 (XXVII) of 19 December 1972, decided should be composed of 40 Member States,

2/ The draft resolution contained a foot-note which read as follows:

"The sponsorship of this draft resolution does not preclude in any manner the formulation by the sponsors of interpretative declarations as to the scope they recognize to certain provisions of the Charter of Economic Rights and Duties of States."

Noting that in its resolution 3082 (XXVIII) of 6 December 1973, it reaffirmed "its conviction of the urgent need to establish or improve norms of universal application for the development of international economic relations on a just and equitable basis" and urged the Working Group on the Charter of Economic Rights and Duties of States "to complete, as the first step, in the codification and development of the matter, the elaboration of a final draft Charter of Economic Rights and Duties of States, to be considered and approved by the General Assembly at its twenty-ninth session",

Bearing in mind the spirit and terms of its resolutions 3201 (S-VI) and 3202 (S-VI) on the Establishment of a New International Economic Order, which underlined the "vital importance" of the Charter being adopted by the General Assembly at its twenty-ninth session and stressed the fact that the Charter "shall constitute an effective instrument towards the establishment of a new system of international economic relations based on equity, sovereign equality, and interdependence of the interests of developed and developing countries",

Having examined the report of the Working Group on the Charter of Economic Rights and Duties of States on its fourth session (TD/B/AC.12/4), transmitted to the General Assembly by the Trade and Development Board at its fourteenth session,

Expressing its appreciation to the Working Group on the Charter of Economic Rights and Duties of States which, as a result of the task performed in its four sessions held between February 1973 and June 1974, assembled the elements required for the completion and adoption of the Charter of Economic Rights and Duties of States at the twenty-ninth session of the General Assembly, as previously recommended,

Adopts and solemnly proclaims the following:

CHARTER OF ECONOMIC RIGHTS AND DUTIES OF STATES

PREAMBLE

Reaffirming the fundamental purposes of the United Nations, in particular, the maintenance of international peace and security, the development of friendly relations among nations and the achievement of international co-operation in solving international problems in the economic and social fields,

Affirming the need for strengthening international co-operation in these fields,

Reaffirming further the need for strengthening international co-operation for development,

Declaring that it is a fundamental purpose of this Charter to codify and develop rules for the establishment of the new international economic order, based on equity, sovereign equality, interdependence, common interest and co-operation among all States, irrespective of their economic and social systems,

Desirous of contributing to the creation of conditions for:

- (a) The attainment of wider prosperity among all countries and of higher standards of living for all peoples;
- (b) The promotion by the entire international community of economic and social progress of all countries, especially developing countries;
- (c) The encouragement of co-operation, on the basis of mutual advantage and equitable benefits for all peace-loving States which are willing to carry out their obligations under this Charter, in the economic, trade, scientific and technical fields, regardless of political, economic or social systems;
- (d) The overcoming of main obstacles in the way of economic development of the developing countries;
- (e) The acceleration of the economic growth of developing countries with a view to bridging the economic gap between developing and developed countries,
- (f) The protection, preservation and enhancement of the environment,

Mindful of the need to establish and maintain a just and equitable economic and social order through:

- (a) The achievement of more rational and equitable international economic relations and the encouragement of structural changes in the world economy;
- (b) The creation of conditions which permit the further expansion of trade and intensification of economic co-operation among all nations;
- (c) The strengthening of the economic independence of developing countries;
- (d) The establishment and promotion of international economic relations taking into account the agreed differences in development of the developing countries and their specific needs.

Determined to promote collective economic security for development, in particular of the developing countries, with strict respect for the sovereign equality of each State and through the co-operation of the entire international community,

Considering that genuine co-operation among States, based on joint consideration of and concerted action regarding international economic problems, is essential for fulfilling the international community's common desire to achieve a just and rational development of all parts of the world,

Stressing the importance of ensuring appropriate conditions for the conduct of normal economic relations among all States, irrespective of differences in social and economic systems, and for the full respect for the rights of all peoples, as well as the strengthening of instruments of international economic co-operation as means for the consolidation of peace for the benefit of all,

Convinced of the need to develop a system of international economic relations on the basis of sovereign equality, mutual and equitable benefit and the close interrelationship of the interests of all States,

Reiterating that the responsibility for the development of every country rests primarily upon itself but that concomitant and effective international co-operation is an essential factor for the full achievement of its own development goals,

Firmly convinced of the urgent need to evolve a substantially improved system of international economic relations,

The General Assembly solemnly adopts the present Charter of Economic Rights and Duties of States as a first step in the codification and progressive development of this subject:

CHAPTER I

Fundamentals of international economic relations

Economic as well as political and other relations among States shall be governed inter alia by the following principles:

- (a) Sovereignty, territorial integrity and political independence of States;
- (b) Sovereign equality of all States;
- (c) Non-aggression;
- (d) Non-intervention;
- (e) Mutual and equitable benefit;
- (f) Peaceful coexistence;
- (g) Equal rights and self-determination of peoples;
- (h) Peaceful settlement of disputes;
- (i) Remedying of injustices which have been brought about by force and which deprive a nation of the natural means necessary for its normal development;
- (j) Fulfilment in good faith of international obligations;

- (k) Respect for human rights and fundamental freedoms;
- (l) No attempt to seek hegemony and spheres of influence;
- (m) Promotion of international social justice;
- (n) International co-operation for development;
- (o) Free access to and from the sea by land-locked countries within the framework of the above principles.

CHAPTER II

Economic rights and duties of States

Article 1

Every State has the sovereign and inalienable right to choose its economic system as well as its political, social and cultural systems in accordance with the will of its people, without outside interference, coercion or threat in any form whatsoever.

Article 2

1. Every State has and shall freely exercise full permanent sovereignty, including possession, use and disposal, over all its wealth, natural resources and economic activities.

2. Each State has the right:

(a) To regulate and exercise authority over foreign investment within its national jurisdiction in accordance with its laws and regulations and in conformity with its national objectives and priorities. No State whose nationals invest in a foreign country shall demand privileged treatment for such investors;

(b) To regulate and supervise the activities of transnational corporations within its national jurisdiction and take measures to ensure that such activities comply with its laws, rules and regulations and conform with its economic and social policies. Transnational corporations shall not intervene in the internal affairs of a host State. Every State should, with full regard for its sovereign rights, co-operate with other States in the exercise of the right set forth in this subparagraph;

(c) To nationalize, expropriate or transfer ownership of foreign property in which case appropriate compensation should be paid by the State taking such measures, provided that all relevant circumstances call for it. In any case where the question of compensation gives rise to a controversy, it shall be settled under the domestic law of the nationalizing State and by its tribunals, unless it is

freely and mutually agreed by all States concerned that other peaceful means be sought on the basis of the sovereign equality of States and in accordance with the principle of free choice of means.

Article 3

In the exploitation of natural resources shared by two or more countries, each State must co-operate on the basis of a system of information and prior consultations in order to achieve optimum use of such resources without causing damage to the legitimate interest of others.

Article 4

Every State has the right to engage in international trade and other forms of economic co-operation irrespective of any differences in political, economic and social systems. No State shall be subjected to discrimination of any kind based solely on such differences. In the pursuit of international trade and other forms of economic co-operation, every State is free to choose the forms of organization of its foreign economic relations and to enter into bilateral and multilateral arrangements consistent with its international obligations and with the needs of international economic co-operation.

Article 5

All States have the right to associate in organizations of primary commodity producers in order to develop their national economies to achieve stable financing for their development, and in pursuance of their aims assisting in the promotion of sustained growth of the world economy, in particular accelerating the development of developing countries. Correspondingly all States have the duty to respect that right by refraining from applying economic and political measures that would limit it.

Article 6

It is the duty of States to contribute to the development of international trade of goods particularly by means of arrangements where appropriate and taking into account the interests of producers and consumers. All States share the responsibility to promote the regular flow and access of all commercial goods traded at stable, remunerative and equitable prices, thus contributing to the equitable development of the world economy, taking into account, in particular, the interests of developing countries.

Article 7

Every State has the primary responsibility to promote the economic, social and cultural development of its people. To this end, each State has the right and the responsibility to choose its means and goals of development, fully to mobilize

and use its resources, to implement progressive economic and social reforms and to ensure the full participation of its people in the process and benefits of development. All States have the duty, individually and collectively, to co-operate in order to eliminate obstacles that hinder such mobilization and use.

Article 8

States should co-operate in facilitating more rational and equitable international economic relations and in encouraging structural changes in the context of a balanced world economy in harmony with the needs and interests of all countries, especially developing countries, and should take appropriate measures to this end.

Article 9

All States have the responsibility to co-operate in the economic, social, cultural, scientific and technological fields for the promotion of economic and social progress throughout the world, especially that of the developing countries.

Article 10

All States are juridically equal and, as equal members of the international community, have the right to participate fully and effectively in the international decision-making process in the solution of world economic, financial and monetary problems, inter alia, through the appropriate international organizations in accordance with their existing and evolving rules, and to share equitably in the benefits resulting therefrom.

Article 11

All States should co-operate to strengthen and continuously improve the efficiency of international organizations in implementing measures to stimulate the general economic progress of all countries, particularly of developing countries, and therefore should co-operate to adapt them, when appropriate, to the changing needs of international economic co-operation.

Article 12

1. States have the right, in agreement with the parties concerned, to participate in subregional, regional and interregional co-operation in the pursuit of their economic and social development. All States engaged in such co-operation have the duty to ensure that the policies of those groupings to which they belong correspond to the provisions of the Charter and are outward-looking, consistent with their international obligations and with the needs of international economic co-operation and have full regard for the legitimate interests of third countries, especially developing countries.

2. In the case of groupings to which the States concerned have transferred or may transfer certain competences as regards matters that come within the scope of this Charter, those States shall ensure, in regard to such matters, that the groupings in which they participate act in a manner consistent with their responsibilities as members of such groupings and in accordance with the provisions of this Charter.

Article 13

1. Every State has the right to benefit from the advances and developments in science and technology for the acceleration of its economic and social development.

2. All States should promote international scientific and technological co-operation and the transfer of technology, with proper regard for all legitimate interests including, inter alia, the rights and duties of holders, suppliers and recipients of technology. In particular, all States should facilitate: the access of developing countries to the achievements of modern science and technology, the transfer of technology and the creation of indigenous technology for the benefit of the developing countries in forms and in accordance with procedures which are suited to their economies and their needs.

3. Accordingly, developed countries should co-operate with the developing countries in the establishment, strengthening and development of their scientific and technological infrastructures and their scientific research and technological activities so as to help to expand and transform the economies of developing countries.

4. All States should co-operate in exploring with a view to evolving further internationally accepted guidelines or regulations for the transfer of technology taking fully into account the interests of developing countries.

Article 14

Every State has the duty to co-operate in promoting a steady and increasing expansion and liberalization of world trade and an improvement in the welfare and living standards of all peoples, in particular those of developing countries. Accordingly, all States should co-operate, inter alia, towards the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade and, to these ends, co-ordinated efforts shall be made to solve in an equitable way the trade problems of all countries taking into account the specific trade problems of the developing countries. In this connexion, States shall take measures aimed at securing additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, the diversification of their exports, the acceleration of the rate of growth of their trade, taking into account their development needs, an improvement in the possibilities for these countries to participate in the expansion of world trade and a balance more favourable to developing countries in the sharing of the advantages resulting from this expansion,

through, in the largest possible measure, a substantial improvement in the conditions of access for the products of interest to the developing countries and, wherever appropriate, measures designed to attain stable, equitable and remunerative prices for primary products.

Article 15

All States have the duty to promote the achievement of general and complete disarmament under effective international control and to utilize the resources freed by effective disarmament measures for the economic and social development of countries, allocating a substantial portion of such resources as additional means for the development needs of developing countries.

Article 16

1. It is the right and duty of all States, individually and collectively, to eliminate colonialism, apartheid, racial discrimination, neo-colonialism and all forms of foreign aggression, occupation and domination, and the economic and social consequences thereof, as a prerequisite for development. States which practice such coercive policies are economically responsible to the countries, territories and peoples affected for the restitution and full compensation for the exploitation and depletion of, and damages to, the natural and all other resources of those countries, territories and peoples. It is the duty of all States to extend assistance to them.

2. No State has the right to promote or encourage investments that may constitute an obstacle to the liberation of a territory occupied by force.

Article 17

International co-operation for development is the shared goal and common duty of all States. Every State should co-operate with the efforts of developing countries to accelerate their economic and social development by providing favourable external conditions and by extending active assistance to them, consistent with their development needs and objectives, with strict respect for the sovereign equality of States and free of any conditions derogating from their sovereignty.

Article 18

Developed countries should extend, improve and enlarge the system of generalized non-reciprocal and non-discriminatory tariff preferences to the developing countries consistent with the relevant agreed conclusions and relevant decisions as adopted on this subject, in the framework of the competent international organizations. Developed countries should also give serious consideration to the adoption of other differential measures, in areas where this is feasible and appropriate and in ways which will provide special and more

favourable treatment, in order to meet trade and development needs of the developing countries. In the conduct of international economic relations the developed countries should endeavour to avoid measures having a negative effect on the development of the national economies of the developing countries, as promoted by generalized tariff preferences and other generally agreed differential measures in their favour.

Article 19

With a view to accelerating the economic growth of developing countries and bridging the economic gap between developed and developing countries, developed countries should grant generalized preferential, non-reciprocal and non-discriminatory treatment to developing countries in those fields of international economic co-operation where it may be feasible.

Article 20

Developing countries should, in their efforts to increase their over-all trade, give due attention to the possibility of expanding their trade with socialist countries, by granting to these countries conditions for trade not inferior to those granted normally to the developed market economy countries.

Article 21

Developing countries should endeavour to promote the expansion of their mutual trade and to this end, may, in accordance with the existing and evolving provisions and procedures of international agreements where applicable, grant trade preferences to other developing countries without being obliged to extend such preferences to developed countries, provided these arrangements do not constitute an impediment to general trade liberalization and expansion.

Article 22

1. All States should respond to the generally recognized or mutually agreed development needs and objectives of developing countries by promoting increased net flows of real resources to the developing countries from all sources, taking into account any obligations and commitments undertaken by the States concerned, in order to reinforce the efforts of developing countries to accelerate their economic and social development.

2. In this context, consistent with the aims and objectives mentioned above and taking into account any obligations and commitments undertaken in this regard, it should be their endeavour to increase the net amount of financial flows from official sources to developing countries and to improve the terms and conditions.

3. The flow of development assistance resources should include economic and technical assistance.

Article 23

To enhance the effective mobilization of their own resources, the developing countries should strengthen their economic co-operation and expand their mutual trade so as to accelerate their economic and social development. All countries, especially developed countries, individually as well as through the competent international organizations of which they are members, should provide appropriate and effective support and co-operation.

Article 24

All States have the duty to conduct their mutual economic relations in a manner which takes into account the interests of other countries. In particular, all States should avoid prejudicing the interests of developing countries.

Article 25

In furtherance of world economic development, the international community, especially its developed members, shall pay special attention to the particular needs and problems of the least developed among the developing countries, of land-locked developing countries and also island developing countries, with a view to helping them to overcome their particular difficulties and thus contribute to their economic and social development.

Article 26

All States have the duty to coexist in tolerance and live together in peace, irrespective of differences in political, economic, social and cultural systems, and to facilitate trade between States having different economic and social systems. International trade should be conducted without prejudice to generalized non-discriminatory and non-reciprocal preferences in favour of developing countries, on the basis of mutual advantage, equitable benefits and the exchange of most-favoured-nation treatment.

Article 27

1. Every State has the right to fully enjoy the benefits of world invisible trade and to engage in the expansion of such trade.

2. World invisible trade, based on efficiency and mutual and equitable benefit, furthering the expansion of the world economy, is the common goal of all States. The role of developing countries in world invisible trade should be enhanced and strengthened consistent with the above objectives, particular attention being paid to the special needs of developing countries.

3. All States should co-operate with developing countries in their endeavours to increase their capacity to earn foreign exchange from invisible transactions, in accordance with the potential and needs of each developing country, and consistent with the objectives mentioned above.

Article 28

All States have the duty to co-operate in achieving adjustments in the prices of exports of developing countries in relation to prices of their imports so as to promote just and equitable terms of trade for them, in a manner which is remunerative for producers and equitable for producers and consumers.

CHAPTER III

Common responsibilities towards the international community

Article 29

The sea-bed and ocean floor and the subsoil thereof, beyond the limits of national jurisdiction, as well as the resources of the area, are the common heritage of mankind. On the basis of the principles adopted by the General Assembly in resolution 2749 (XXV) of 17 December 1970, all States shall ensure that the exploration of the area and exploitation of its resources are carried out exclusively for peaceful purposes and that the benefits derived therefrom are shared equitably by all States, taking into account the particular interests and needs of developing countries; an international régime applying to the area and its resources and including appropriate international machinery to give effect to its provisions shall be established by an international treaty of a universal character, generally agreed upon.

Article 30

The protection, preservation and the enhancement of the environment for the present and future generations is the responsibility of all States. All States shall endeavour to establish their own environmental and developmental policies in conformity with such responsibility. The environmental policies of all States should enhance and not adversely affect the present and future development potential of developing countries. All States have the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction. All States should co-operate in evolving international norms and regulations in the fields of the environment.

CHAPTER IV

Final provisions

Article 31

All States have the duty to contribute to the balanced expansion of the world economy, taking duly into account the close interrelationship between the well-being of the developed countries and the growth and development of the

developing countries and that the prosperity of the international community as a whole depends upon the prosperity of its constituent parts.

Article 32

No State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights or to secure from it advantages of any kind.

Article 33

1. Nothing in the present Charter shall be construed as impairing or derogating from the provisions of the Charter of the United Nations or actions taken in pursuance thereof.

2. In their interpretation and application, the provisions of the present Charter are interrelated and each provision should be construed in the context of the other provisions.

Article 34

An item on the Charter of Economic Rights and Duties of States shall be inscribed on the agenda of the General Assembly at its thirtieth session, and thereafter on the agenda of every fifth session. In this way a systematic and comprehensive consideration of the implementation of the Charter, covering both progress achieved and any improvements and additions which might become necessary, would be carried out and appropriate measures recommended. Such consideration should take into account the evolution of all the economic, social, legal and other factors related to the principles upon which the present Charter is based and on its purpose.

Subsequently, Afghanistan, Barbados, Bhutan, Chile, Ethiopia, Malawi and Paraguay withdrew from the list of sponsors of the draft resolution (A/C.2/L.1386/Corr.1-5) owing to their reservations to specific articles of the Charter.

6. The Committee also had before it the following amendments to draft resolution A/C.2/L.1386:

(a) Amendments submitted by Australia, Belgium, Canada, Denmark, France, Germany (Federal Republic of), Ireland, Italy, Japan, Luxembourg, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1398), which called for the rewording of:

(i) The fourth preambular paragraph, to read:

"Declaring that it is a fundamental purpose of this Charter to promote just and equitable economic relations among nations,"

(ii) The final preambular paragraph, to read:

"The General Assembly solemnly adopts the present Charter of Economic Rights and Duties of States:";

(b) Amendment submitted by Australia, Belgium, Canada, Denmark, France, Germany (Federal Republic of), Greece, Ireland, Italy, Japan, Luxembourg, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1399), which called for the rewording of subparagraph (c) of the fifth preambular paragraph as follows:

"(c) The encouragement of co-operation, on the basis of mutual advantage and equitable benefits for all States concerned, in the economic, trade, scientific and technical fields, regardless of political, economic or social systems;"

(c) Amendment submitted by Belgium, Denmark, France, Germany (Federal Republic of), Greece, Ireland, Italy, Japan, Luxembourg, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1400), which called for the rewording of the seventh preambular paragraph as follows:

"Determined to promote collective economic security, with full respect for the sovereign equality of each State and through the co-operation of each State, in order to provide a favourable environment for all countries to pursue their development and well-being;"

(d) Amendment submitted by Belgium, France, Germany (Federal Republic of), Ireland, Italy, Japan, Luxembourg, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1401), which called for the replacement in the first sentence of Chapter I, of the word "shall" by "should";

(e) Amendment submitted by Belgium, Denmark, France, Germany (Federal Republic of), Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1402), which called for the rewording of Chapter I (f) as follows:

"Peaceful co-operation;"

(f) Amendment submitted by Belgium, Canada, Denmark, France, Germany (Federal Republic of), Italy, Japan, Luxembourg, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1403), which called for the deletion of subparagraph (i) of chapter I;

(g) Amendment submitted by Australia, Belgium, Canada, Denmark, France, Germany (Federal Republic of), Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1404), which called for the rewording of paragraphs 1, 2 and 3 of article 2 of chapter II as follows:

"Chapter II

Article 2

1. Every State has permanent sovereignty over its natural wealth and resources and has the inalienable right fully and freely to dispose of them.

2. Each State has the right:

(a) To enact legislation and promulgate rules and regulations, consistent with its development objectives, to govern the entry and activities within its territory of foreign enterprises;

(b) To enter freely into undertakings relating to the import of foreign capital which shall be observed in good faith;

(c) To regulate and supervise the activities of transnational corporations within its national jurisdiction and take measures to ensure that such activities comply fully with its laws, rules and regulations and conform with its economic and social policies. Every State shall ensure that transnational corporations enjoy within its national jurisdiction the same rights and fulfil the same obligations as any other foreign person. Transnational corporations shall not intervene in the internal affairs of a host State. Every State should, with full regard for its sovereign rights, co-operate with other States in the exercise of the right set forth in this subparagraph;

(d) To nationalize, expropriate or requisition foreign property for a public purpose, provided that just compensation in the light of all relevant circumstances shall be paid;

(e) To require that its national jurisdiction be exhausted in any case where the treatment of foreign investment or compensation therefor is in controversy, unless otherwise agreed by the parties;

(f) To settle disputes where so agreed by the parties concerned through negotiation, good offices, inquiry, fact-finding, conciliation, mediation, arbitration or judicial settlement, on the basis of the principles of sovereign equality of States and free choice of means.

3. States taking measures in the exercise of the foregoing rights shall fulfil in good faith their international obligations.";

(h) Amendments submitted by Belgium, Canada, Denmark, Germany (Federal Republic of), France, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1405) which called for the rewording of articles 4 and 26 of chapter II as follows:

Chapter II

Article 4

Every State has the right to engage in international trade and other forms of economic co-operation irrespective of any differences in political, economic and social systems. No State shall be subjected to discrimination of any kind based solely on such differences, i.e. States in similar situations should not be given different treatment. In the pursuit of international trade and other forms of economic co-operation, every State is free to choose the forms of organization of its foreign economic relations and to enter into bilateral and multilateral arrangements consistent with its international obligations and with the needs of international economic co-operation.

...

Article 26

All States have the duty to co-exist in tolerance and live together in peace, irrespective of differences in political, economic, social and cultural systems, and to facilitate trade between countries having different economic and social systems. International trade should be conducted without prejudice to generalized non-discriminatory and non-reciprocal preferences in favour of developing countries and on the basis of mutual advantage and equitable benefits. In the pursuit of their trading relations States may, as a general rule, exchange most-favoured-nation treatment through bilateral or multilateral arrangements.";

(i) Amendment submitted by Belgium, Denmark, France, Germany (Federal Republic of), Ireland, Italy, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1406), which called for the deletion of article 5;

(j) Amendment submitted by Belgium, Denmark, France, Germany (Federal Republic of), Ireland, Italy, Japan, Luxembourg, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1407), which called for the rewording of article 6 to read as follows:

"All States shall be prepared to study and negotiate as appropriate world-wide commodity agreements on a case-by-case basis, which should cover as many producers and consumers as possible and a substantial part of the trade involved. All States should endeavour to promote the regular flow of raw material supplies, including agricultural and industrial raw material supplies, having regard to the particular economic circumstances of individual countries, at stable, remunerative and equitable prices, thus contributing to the development of the world economy while taking into account, in particular, the interests of developing countries.";

(k) Amendment submitted by Belgium, Denmark, France, Germany (Federal Republic of), Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1408), which called for the rewording of paragraph 2 of article 12 to read as follows:

"2. In the case of groupings to which the States concerned have transferred or may transfer certain competences as regards matters that come within the scope of this Charter, its provisions shall also apply to those groupings in regard to such matters consistent with the responsibilities of such States as members of such groupings.";

(l) Amendment submitted by Belgium, Denmark, France, Germany (Federal Republic of), Ireland, Italy, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1409), which called for the replacement of article 31 with the following article to appear immediately after article 14:

"All States have the duty to contribute to the balanced expansion of the world economy, taking into account the interrelationship between the well-being and development of all countries. Consequently all States have the duty in the conduct of their mutual economic relations to take into account the close relationship and interdependence of the economies of all States and to maintain an appropriate balance between the interests of raw material producer and consumer countries.";

(m) Amendment submitted by Belgium, France, Germany (Federal Republic of), Greece, Italy, Luxembourg, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1410), which called for the deletion of article 15;

(n) Amendment submitted by Belgium, Canada, Denmark, France, Germany (Federal Republic of), Italy, Ireland, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1411), which called for the deletion of article 16;

(o) Amendment submitted by Australia, Belgium, Canada, Denmark, France, Germany (Federal Republic of), Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1412) which called for the deletion of article 19;

(p) Amendment submitted by Belgium, Denmark, France, Germany (Federal Republic of), Italy, Japan, Luxembourg, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1413), which called for the deletion of article 28:

(q) Amendment submitted by Belgium, France, Germany (Federal Republic of), Greece, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1414), which called for the insertion of the words "in accordance with pertinent international norms, regulations and obligations" between the words "All States have" and "the responsibility" in the fourth sentence of article 30;

(r) Amendment submitted by Australia, Belgium, Canada, Denmark, France, Germany (Federal Republic of), Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America (A/C.2/L.1415), which called for the replacement of the word "or" with the word "and" in the third line of article 32.

7. At the 1647th meeting, on 6 December, the representative of Mexico, on behalf of the co-sponsors, introduced revisions (A/C.2/SR.1386/Corr.6) to the draft resolution contained in A/C.2/L.1386. These revisions read as follows:

(a) Reword subparagraph (c) of the fifth preambular paragraph as follows:

"(c) The encouragement of co-operation, on the basis of mutual advantage and equitable benefits for all peace-loving States which are willing to carry out the provisions of this Charter, in the economic, trade, scientific and technical fields, regardless of political, economic or social systems;"

(b) Reword paragraph 2 (a) of article 2 as follows:

"(a) To regulate and exercise authority over foreign investment within its national jurisdiction in accordance with its laws and regulations and in conformity with its national objectives and priorities. No State shall be compelled to grant preferential treatment to foreign investment;"

(c) Reword paragraph 2 (c) of article 2 as follows:

"(c) To nationalize, expropriate or transfer ownership of foreign property in which case appropriate compensation should be paid by the State adopting such measures, taking into account its relevant laws and regulations and all circumstances that the State considers pertinent. In any case where the question of compensation gives rise to a controversy, it shall be settled under the domestic law of the nationalizing State and by its tribunals, unless it is freely and mutually agreed by all States concerned that other peaceful means be sought on the basis of the sovereign equality of States and in accordance with the principle of free choice of means.";

(d) Reword article 6 as follows:

"It is the duty of States to contribute to the development of international trade of goods particularly by means of arrangements and by the conclusion of long-term multilateral commodity agreements, where appropriate, and taking into account the interests of producers and consumers. All States share the responsibility to promote the regular flow and access of all commercial goods traded at stable, remunerative and equitable prices, thus contributing to the equitable development of the world economy, taking into account, in particular, the interests of developing countries.";

(e) Reword article 12 (2) as follows:

"2. In the case of groupings to which the States concerned have transferred or may transfer certain competences as regards matters that come within the scope of this Charter, its provisions shall also apply to those groupings, in regard to such matters, consistent with the responsibilities of such States as members of such groupings. Those States shall co-operate in the observance by the groupings of the provisions of this Charter."

(f) Reword article 32 as follows:

"No State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights."

8. At the same meeting, the representative of Mexico, on behalf of the sponsors, further introduced the following oral revisions:

(a) Replacing the words "to codify and develop rules for" in the fourth preambular paragraph of the Charter of Economic Rights and Duties of States, by the words "to promote";

(b) In the last preambular paragraph of the Charter of Economic Rights and Duties of States, delete, in the last preambular paragraph, the words "as a first step in the codification and progressive development of this subject".

9. At the 1647th meeting, on 6 December, the delegation of France, on behalf of Belgium, Denmark, France, Germany (Federal Republic of), Ireland, Italy, Luxembourg, the Netherlands and the United Kingdom of Great Britain and Northern Ireland, introduced a draft resolution (A/C.2/L.1419) the text of which read as follows:

The General Assembly,

Recalling resolution 45 (III) of the United Nations Conference on Trade and Development,

Recognizing the usefulness for the international community of a charter defining the economic rights and duties of States,

Considering that, in view of its object and its universal character, such a charter should reflect the largest possible agreement between all countries,

Taking into account the considerable progress already achieved in the successive stages of the preparation of this charter and the search for a consensus,

Noting that there still exist controversial points which it would be highly desirable to settle through appropriate consultations before proposing a text for adoption by the United Nations,

1. Requests the countries which have participated in the Working Group established under the aforementioned resolution 45 (III) to continue their efforts with a view to submitting a completed and generally accepted draft charter to the special session of the General Assembly devoted to development and international economic co-operation (September 1975);

2. Invites the Secretary-General of UNCTAD to assist in facilitating the consultations for this purpose, from the beginning of 1975.

10. At the same meeting, at the request of the representative of France, the Committee decided, in accordance with rule 131 of the rules of procedure of the General Assembly, to give priority consideration to draft resolution A/C.2/L.1419.

11. At its 1647th meeting, on 6 December, the representative of the United States of America requested that all the votes taken under this item should be recorded.

12. At the same meeting, the Committee rejected the draft resolution (A/C.2/L.1419) by 81 votes to 20, with 15 abstentions.

In favour: Austria, Belgium, Canada, Denmark, France, Germany (Federal Republic of), Iceland, Ireland, Israel, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Turkey, United Kingdom of Great Britain and Northern Ireland, United States of America.

Against: Afghanistan, Albania, Algeria, Argentina, Bahrain, Bangladesh, Barbados, Bolivia, Botswana, Brazil, Bulgaria, Burma, Burundi, Byelorussian Soviet Socialist Republic, Chad, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Democratic Yemen, Ecuador, Egypt, El Salvador, Ethiopia, Fiji, German Democratic Republic, Ghana, Guatemala, Guinea-Bissau, Haiti, Honduras, Hungary, India, Iran, Iraq, Ivory Coast, Jamaica, Kenya, Kuwait, Lebanon, Liberia, Libyan Arab Republic, Madagascar, Malta, Mauritania, Mexico, Mongolia, Morocco, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Romania, Rwanda, Saudi Arabia, Sierra Leone, Sri Lanka, Sudan, Swaziland, Togo, Trinidad and Tobago, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Emirates, United Republic of Cameroon, United Republic of Tanzania, Upper Volta, Venezuela, Yugoslavia, Zaire, Zambia.

Abstaining: Australia, Cyprus, Dahomey, Finland, Greece, Grenada, Indonesia, Jordan, Khmer Republic, Laos, Malawi, Malaysia, New Zealand, Singapore, Thailand.

13. At its 1647th meeting, on 6 December, Ireland joined in sponsoring the amendment contained in A/C.2/L.1410.

14. At the same meeting, Australia withdrew from the list of sponsors of the amendment contained in A/C.2/L.1412.

15. At the same meeting, France withdrew from the list of sponsors of the amendment contained in A/C.2/L.1413.

16. At the same meeting, the amendments contained in documents A/C.2/L.1408 and A/C.2/L.1415 were withdrawn by the sponsors.

17. Also at its 1647th meeting, on 6 December, the Committee voted on the amendments contained in documents A/C.2/L.1398 to A/C.2/L.1403 (see para. 6 above). The result of the voting was as follows: 3/

(a) It rejected by 89 votes to 17, with 3 abstentions, the amendments contained in A/C.2/L.1398 (see para. 6 (a));

(b) It rejected by 92 votes to 20, with 10 abstentions, the amendment contained in A/C.2/L.1399 (see para. 6 (b));

(c) It rejected by 94 votes to 14, with 14 abstentions, the amendment contained in A/C.2/L.1400 (see para. 6 (c));

(d) It rejected by 92 votes to 18, with 12 abstentions, the amendment contained in A/C.2/L.1401 (see para. 6 (d));

(e) It rejected by 94 votes to 21, with 8 abstentions, the amendment contained in A/C.2/L.1402 (see para. 6 (e));

(f) It rejected by 95 votes to 16, with 10 abstentions, the amendment contained in A/C.2/L.1403 (see para. 6 (f));

18. At its 1648th meeting, on 6 December, the Committee voted on the amendments contained in A/C.2/L.1404 to A/C.2/L.1415 (see para. 6 above). The result of the voting was as follows: 4/

(a) It rejected by 71 votes to 20, with 18 abstentions the amendment contained in paragraph 3 of the amendments contained in A/C.2/L. 1404 (see para. 6 (g));

(b) It rejected by 87 votes to 19, with 11 abstentions, paragraphs 1 and 2 of the amendments contained in A/C.2/L.1404;

(c) It rejected by 86 votes to 20, with 10 abstentions, the amendments contained in A/C.2/L.1405 (see para. 6 (h));

(d) It rejected by 98 votes to 15, with 8 abstentions, the amendment contained in A/C.2/L.1406 (see para. 6 (i));

3/ For the record of voting see A/C.2/SR.1647. The full record will appear in the final version of this report.

4/ For the record of voting see A/C.2/SR.1648. The full record will appear in the final version of this report.

/....

(e) It rejected by 95 votes to 17, with 10 abstentions, the amendment contained in A/C.2/L.1407 (see para. 6 (j));

(f) It rejected by 97 votes to 15, with 10 abstentions, the amendment contained in A/C.2/L.1409 (see para. 6 (l));

(g) It rejected by 76 votes to 22, with 24 abstentions, the amendment contained in A/C.2/L.1410 (see para. 6 (m));

(h) It rejected by 98 votes to 17, with 8 abstentions, the amendment contained in A/C.2/L.1411 (see para. 6 (n));

(i) It rejected by 102 votes to 17, with 5 abstentions, the amendment contained in A/C.2/L.1412 (see para. 6 (o));

(j) It rejected by 101 votes to 12, with 11 abstentions, the amendments contained in A/C.2/L.1413 (see para. 6 (p));

(k) It rejected by 91 votes to 22, with 12 abstentions, the amendments contained in A/C.2/L.1414 (see para. 6 (q));

19. At its 1648th meeting, on 6 December, the representative of the United States of America asked for a separate vote on each preambular paragraph, each subparagraph of chapter I and each article of the draft Charter of Economic Rights and Duties of States (A/C.2/L.1386), as revised.

20. At the request of the representative of the Ukrainian Soviet Socialist Republic, the Committee decided not to take a vote, and therefore to consider as retained, those parts of draft resolution A/C.2/L.1386 and Corr.6, the deletion of which had been called for in amendments thereto, whenever the relevant amendments had been rejected.

21. At the same meeting, the representative of Sweden asked for a separate vote on paragraph 1 and subparagraph (a), (b) and (c) of article 2 of the Charter.

22. The result of the voting on draft resolution A/C.2/L.1386, as revised, was as follows:

First preambular paragraph	128	0	0
Second preambular paragraph	128	0	0
Third preambular paragraph	128	0	0
Fourth preambular paragraph	120	0	10
Fifth preambular paragraph	131	0	0
Sixth preambular paragraph	131	0	0
Seventh preambular paragraph	120	3	7
Eighth preambular paragraph	130	0	0

Ninth preambular paragraph	129	0	0
Tenth preambular paragraph	130	0	0
Eleventh preambular paragraph	129	0	0
Twelfth preambular paragraph	129	0	0
Thirteenth preambular paragraph	130	0	0

Chapter I

<u>Introduction</u>	115	0	13
(a)	130	0	0
(b)	129	0	0
(c)	129	0	0
(d)	130	0	0
(e)	129	0	0
(f)	117	5	5
(g)	129	0	0
(h)	130	0	0
(i) 5/			
(j)	130	0	0
(k)	130	0	0
(l) (m) (n)	130	0	0
(o)	117	0	12

Chapter II

<u>Article 1</u>	131	0	0
<u>Article 2</u>			
Paragraph 1	119	9	3
Paragraph 2 (a)	113	10	4
Paragraph 2 (b)	119	4	6
Paragraph 2 (c)	104	16	6

5/ No vote was taken consequent upon the rejection of the amendment contained in A/C.2/L.1403.

Chapter II (continued)

<u>Article 3</u>	97	7	25
<u>Article 4</u>	115	8	7
<u>Article 5 6/</u>			
<u>Article 6</u>	119	8	2
<u>Article 7</u>	129	0	0
<u>Article 8</u>	131	0	0
<u>Article 9</u>	129	0	0
<u>Article 10</u>	129	0	0
<u>Article 11</u>	129	0	0
<u>Article 12</u>	128	0	0
<u>Article 13</u>	129	0	0
<u>Article 14</u>	128	0	1
<u>Article 15 7/</u>			
<u>Article 16 8/</u>			
<u>Article 17</u>	130	0	0
<u>Article 18</u>	131	0	0
<u>Article 19 9/</u>			
<u>Article 20</u>	110	1	12
<u>Articles 21, 22, 23, 24, 25</u>	131	0	0
<u>Article 26</u>	105	14	10
<u>Article 27</u>	131	0	0
<u>Article 28 10/</u>			
<u>Article 29</u>	113	0	17
<u>Article 30</u>	126	0	3
<u>Article 31</u>	129	0	0
<u>Article 32</u>	119	0	11

6/ No vote was taken consequent upon the rejection of the amendment contained in A/C.2/L.1406

7/ No vote was taken consequent upon the rejection of the amendment contained in A/C.2/L.1410.

8/ No vote was taken consequent upon the rejection of the amendment contained in A/C.2/L.1411.

9/ No vote was taken consequent upon the rejection of the amendment contained in A/C.2/L.1412.

10/ No vote was taken consequent upon the rejection of the amendment contained in A/C.2/L.1413. /...

Chapter II (continued)

<u>Article 33</u>	131	0	0
<u>Article 34</u>	123	0	8

23. At the 1648th meeting, on 6 December, the Committee voted on the draft resolution (A/C.2/L.1386), as revised, as a whole. The draft resolution was adopted by a roll-call vote of 115 to 6 with 10 abstentions (see para. 25 below). The result of the voting was as follows:

In favour: Afghanistan, Albania, Algeria, Argentina, Australia, Bahrain, Bangladesh, Barbados, Bhutan, Bolivia, Botswana, Brazil, Bulgaria, Burma, Burundi, Byelorussian Soviet Socialist Republic, Central African Republic, Chad, Chile, China, Colombia, Congo, Costa Rica, Cuba, Cyprus, Czechoslovakia, Dahomey, Democratic Yemen, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Fiji, Finland, Gabon, Gambia, German Democratic Republic, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Khmer Republic, Kuwait, Laos, Lebanon, Liberia, Libyan Arab Republic, Madagascar, Malawi, Malaysia, Mali, Malta, Mauritania, Mexico, Mongolia, Morocco, Nepal, New Zealand, Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Sri Lanka, Sudan, Swaziland, Sweden, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Emirates, United Republic of Cameroon, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia, Zaire, Zambia.

Against: Belgium, Denmark, Germany (Federal Republic of), Luxembourg, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstentions: Austria, Canada, France, Ireland, Israel, Italy, Japan, Netherlands, Norway, Spain.

24. At its 1649th meeting, on 6 December, the Committee decided to authorize the Rapporteur of the Committee to present the report of the Committee on this item to the General Assembly, with only the numerical results of the voting under this item, on the understanding that delegations would refer to the summary records for the full list of the results of the voting, that this decision should not be considered as a precedence and that a full record of voting would appear in the final version of the report.

RECOMMENDATION OF THE SECOND COMMITTEE

25. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Charter of Economic Rights and Duties of States

The General Assembly,

Recalling that the United Nations Conference on Trade and Development, in its resolution 45 (III) of 18 May 1972, stressed the urgency "to establish generally accepted norms to govern international economic relations systematically" and recognized that "it is not feasible to establish a just order and a stable world as long as the Charter to protect the rights of all countries, and in particular the developing States, is not formulated",

Recalling further that in the same resolution it was decided to establish a Working Group of governmental representatives to draw up a draft Charter of Economic Rights and Duties of States, which the General Assembly, in its resolution 3037 (XXVII) of 19 December 1972, decided should be composed of 40 Member States,

Noting that in its resolution 3082 (XXVIII) of 6 December 1973, it reaffirmed its conviction of the urgent need to establish or improve norms of universal application for the development of international economic relations on a just and equitable basis and urged the Working Group on the Charter of Economic Rights and Duties of States to complete, as the first step, in the codification and development of the matter, the elaboration of a final draft Charter of Economic Rights and Duties of States, to be considered and approved by the General Assembly at its twenty-ninth session,

Bearing in mind the spirit and terms of its resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order, which underlined the vital importance of the Charter to be adopted by the General Assembly at its twenty-ninth session and stressed the fact that the Charter shall constitute an effective instrument towards the establishment of a new system of international economic relations based on equity, sovereign equality, and interdependence of the interests of developed and developing countries,

Having examined the report of the Working Group on the Charter of Economic Rights and Duties of States on its fourth session, 11/ transmitted to the General Assembly by the Trade and Development Board at its fourteenth session,

Expressing its appreciation to the Working Group on the Charter of Economic Rights and Duties of States which, as a result of the task performed in its four

11/ TD/B/AC.12/4.

sessions held between February 1973 and June 1974, assembled the elements required for the completion and adoption of the Charter of Economic Rights and Duties of States at the twenty-ninth session of the General Assembly, as previously recommended,

Adopts and solemnly proclaims the following:

CHARTER OF ECONOMIC RIGHTS AND DUTIES OF STATES

PREAMBLE

The General Assembly,

Reaffirming the fundamental purposes of the United Nations, in particular, the maintenance of international peace and security, the development of friendly relations among nations and the achievement of international co-operation in solving international problems in the economic and social fields,

Affirming the need for strengthening international co-operation in these fields,

Reaffirming further the need for strengthening international co-operation for development,

Declaring that it is a fundamental purpose of this Charter to promote the establishment of the new international economic order, based on equity, sovereign equality, interdependence, common interest and co-operation among all States, irrespective of their economic and social systems,

Desirous of contributing to the creation of conditions for:

(a) The attainment of wider prosperity among all countries and of higher standards of living for all peoples,

(b) The promotion by the entire international community of economic and social progress of all countries, especially developing countries,

(c) The encouragement of co-operation, on the basis of mutual advantage and equitable benefits for all peace-loving States which are willing to carry out the provisions of this Charter, in the economic, trade, scientific and technical fields, regardless of political, economic or social systems,

(d) The overcoming of main obstacles in the way of economic development of the developing countries,

(e) The acceleration of the economic growth of developing countries with a view to bridging the economic gap between developing and developed countries,

(f) The protection, preservation and enhancement of the environment,

Mindful of the need to establish and maintain a just and equitable economic and social order through:

- (a) The achievement of more rational and equitable international economic relations and the encouragement of structural changes in the world economy,
- (b) The creation of conditions which permit the further expansion of trade and intensification of economic co-operation among all nations,
- (c) The strengthening of the economic independence of developing countries,
- (d) The establishment and promotion of international economic relations taking into account the agreed differences in development of the developing countries and their specific needs,

Determined to promote collective economic security for development, in particular of the developing countries, with strict respect for the sovereign equality of each State and through the co-operation of the entire international community,

Considering that genuine co-operation among States, based on joint consideration of and concerted action regarding international economic problems, is essential for fulfilling the international community's common desire to achieve a just and rational development of all parts of the world,

Stressing the importance of ensuring appropriate conditions for the conduct of normal economic relations among all States, irrespective of differences in social and economic systems, and for the full respect for the rights of all peoples, as well as the strengthening of instruments of international economic co-operation as means for the consolidation of peace for the benefit of all,

Convinced of the need to develop a system of international economic relations on the basis of sovereign equality, mutual and equitable benefit and the close interrelationship of the interests of all States,

Reiterating that the responsibility for the development of every country rests primarily upon itself but that concomitant and effective international co-operation is an essential factor for the full achievement of its own development goals,

Firmly convinced of the urgent need to evolve a substantially improved system of international economic relations,

Solemnly adopts the present Charter of Economic Rights and Duties of States.

CHAPTER I

Fundamentals of international economic relations

Economic as well as political and other relations among States shall be governed inter alia by the following principles:

- (a) Sovereignty, territorial integrity and political independence of States;
- (b) Sovereign equality of all States;
- (c) Non-aggression;
- (d) Non-intervention;
- (e) Mutual and equitable benefit;
- (f) Peaceful coexistence;
- (g) Equal rights and self-determination of peoples;
- (h) Peaceful settlement of disputes;
- (i) Remedying of injustices which have been brought about by force and which deprive a nation of the natural means necessary for its normal development;
- (j) Fulfilment in good faith of international obligations;
- (k) Respect for human rights and fundamental freedoms;
- (l) No attempt to seek hegemony and spheres of influence;
- (m) Promotion of international social justice;
- (n) International co-operation for development;
- (o) Free access to and from the sea by land-locked countries within the framework of the above principles.

CHAPTER II

Economic rights and duties of States

Article 1

Every State has the sovereign and inalienable right to choose its economic system as well as its political, social and cultural systems in accordance with the will of its people, without outside interference, coercion or threat in any form whatsoever.

Article 2

1. Every State has and shall freely exercise full permanent sovereignty, including possession, use and disposal, over all its wealth, natural resources and economic activities.

2. Each State has the right:

(a) To regulate and exercise authority over foreign investment within its national jurisdiction in accordance with its laws and regulations and in conformity with its national objectives and priorities. No State shall be compelled to grant preferential treatment to foreign investment;

(b) To regulate and supervise the activities of transnational corporations within its national jurisdiction and take measures to ensure that such activities comply with its laws, rules and regulations and conform with its economic and social policies. Transnational corporations shall not intervene in the internal affairs of a host State. Every State should, with full regard for its sovereign rights, co-operate with other States in the exercise of the right set forth in this subparagraph;

(c) To nationalize, expropriate or transfer ownership of foreign property in which case appropriate compensation should be paid by the State adopting such measures, taking into account its relevant laws and regulations and all circumstances that the State considers pertinent. In any case where the question of compensation gives rise to a controversy, it shall be settled under the domestic law of the nationalizing State and by its tribunals, unless it is freely and mutually agreed by all States concerned that other peaceful means be sought on the basis of the sovereign equality of States and in accordance with the principle of free choice of means.

Article 3

In the exploitation of natural resources shared by two or more countries, each State must co-operate on the basis of a system of information and prior consultations in order to achieve optimum use of such resources without causing damage to the legitimate interest of others.

Article 4

Every State has the right to engage in international trade and other forms of economic co-operation irrespective of any differences in political, economic and social systems. No State shall be subjected to discrimination of any kind based solely on such differences. In the pursuit of international trade and other forms of economic co-operation, every State is free to choose the forms of organization of its foreign economic relations and to enter into bilateral and multilateral arrangements consistent with its international obligations and with the needs of international economic co-operation.

Article 5

All States have the right to associate in organizations of primary commodity producers in order to develop their national economies to achieve stable financing for their development, and in pursuance of their aims assisting in the promotion of sustained growth of the world economy, in particular accelerating the development of developing countries. Correspondingly all States have the duty to respect that right by refraining from applying economic and political measures that would limit it.

Article 6

It is the duty of States to contribute to the development of international trade of goods particularly by means of arrangements and by the conclusion of long-term multilateral commodity agreements, where appropriate, and taking into account the interests of producers and consumers. All States share the responsibility to promote the regular flow and access of all commercial goods traded at stable, remunerative and equitable prices, thus contributing to the equitable development of the world economy, taking into account, in particular, the interests of developing countries.

Article 7

Every State has the primary responsibility to promote the economic, social and cultural development of its people. To this end, each State has the right and the responsibility to choose its means and goals of development, fully to mobilize and use its resources, to implement progressive economic and social reforms and to ensure the full participation of its people in the process and benefits of development. All States have the duty, individually and collectively, to co-operate in order to eliminate obstacles that hinder such mobilization and use.

Article 8

States should co-operate in facilitating more rational and equitable international economic relations and in encouraging structural changes in the context of a balanced world economy in harmony with the needs and interests of all countries, especially developing countries, and should take appropriate measures to this end.

Article 9

All States have the responsibility to co-operate in the economic, social, cultural, scientific and technological fields for the promotion of economic and social progress throughout the world, especially that of the developing countries.

Article 10

All States are juridically equal and, as equal members of the international community, have the right to participate fully and effectively in the international decision-making process in the solution of world economic, financial and monetary problems, inter alia, through the appropriate international organizations in accordance with their existing and evolving rules, and to share equitably in the benefits resulting therefrom.

Article 11

All States should co-operate to strengthen and continuously improve the efficiency of international organizations in implementing measures to stimulate the general economic progress of all countries, particularly of developing countries, and therefore should co-operate to adapt them, when appropriate, to the changing needs of international economic co-operation.

Article 12

1. States have the right, in agreement with the parties concerned, to participate in subregional, regional and interregional co-operation in the pursuit of their economic and social development. All States engaged in such co-operation have the duty to ensure that the policies of those groupings to which they belong correspond to the provisions of the Charter and are outward-looking, consistent with their international obligations and with the needs of international economic co-operation and have full regard for the legitimate interests of third countries, especially developing countries.

2. In the case of groupings to which the States concerned have transferred or may transfer certain competences as regards matters that come within the scope of this Charter, its provisions shall also apply to those groupings, in regard to such matters, consistent with the responsibilities of such States as members of such groupings. Those States shall co-operate in the observance by the groupings of the provisions of this Charter.

Article 13

1. Every State has the right to benefit from the advances and developments in science and technology for the acceleration of its economic and social development.

2. All States should promote international scientific and technological co-operation and the transfer of technology, with proper regard for all legitimate interests including, inter alia, the rights and duties of holders, suppliers and recipients of technology. In particular, all States should facilitate: the access of developing countries to the achievements of modern science and technology, the transfer of technology and the creation of indigenous technology for the benefit of the developing countries in forms and in accordance with procedures which are suited to their economies and their needs.

3. Accordingly, developed countries should co-operate with the developing countries in the establishment, strengthening and development of their scientific and technological infrastructures and their scientific research and technological activities so as to help to expand and transform the economies of developing countries.

4. All States should co-operate in exploring with a view to evolving further internationally accepted guidelines or regulations for the transfer of technology taking fully into account the interests of developing countries.

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Article 14

Every State has the duty to co-operate in promoting a steady and increasing expansion and liberalization of world trade and an improvement in the welfare and living standards of all peoples, in particular those of developing countries. Accordingly, all States should co-operate, inter alia, towards the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade and, to these ends, co-ordinated efforts shall be made to solve in an equitable way the trade problems of all countries taking into account the specific trade problems of the developing countries. In this connexion, States shall take measures aimed at securing additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, the diversification of their exports, the acceleration of the rate of growth of their trade, taking into account their development needs, an improvement in the possibilities for these countries to participate in the expansion of world trade and a balance more favourable to developing countries in the sharing of the advantages resulting from this expansion, through, in the largest possible measure, a substantial improvement in the conditions of access for the products of interest to the developing countries and, wherever appropriate, measures designed to attain stable, equitable and remunerative prices for primary products.

Article 15

All States have the duty to promote the achievement of general and complete disarmament under effective international control and to utilize the resources freed by effective disarmament measures for the economic and social development of countries, allocating a substantial portion of such resources as additional means for the development needs of developing countries.

Article 16

1. It is the right and duty of all States, individually and collectively, to eliminate colonialism, apartheid, racial discrimination, neo-colonialism and all forms of foreign aggression, occupation and domination, and the economic and social consequences thereof, as a prerequisite for development. States which practice such coercive policies are economically responsible to the countries, territories and peoples affected for the restitution and full compensation for the exploitation and depletion of, and damages to, the natural and all other resources of those countries, territories and peoples. It is the duty of all States to extend assistance to them.

2. No State has the right to promote or encourage investments that may constitute an obstacle to the liberation of a territory occupied by force.

Article 17

International co-operation for development is the shared goal and common duty of all States. Every State should co-operate with the efforts of developing countries to accelerate their economic and social development by providing

favourable external conditions and by extending active assistance to them, consistent with their development needs and objectives, with strict respect for the sovereign equality of States and free of any conditions derogating from their sovereignty.

Article 18

Developed countries should extend, improve and enlarge the system of generalized non-reciprocal and non-discriminatory tariff preferences to the developing countries consistent with the relevant agreed conclusions and relevant decisions as adopted on this subject, in the framework of the competent international organizations. Developed countries should also give serious consideration to the adoption of other differential measures, in areas where this is feasible and appropriate and in ways which will provide special and more favourable treatment, in order to meet trade and development needs of the developing countries. In the conduct of international economic relations the developed countries should endeavour to avoid measures having a negative effect on the development of the national economies of the developing countries, as promoted by generalized tariff preferences and other generally agreed differential measures in their favour.

Article 19

With a view to accelerating the economic growth of developing countries and bridging the economic gap between developed and developing countries, developed countries should grant generalized preferential, non-reciprocal and non-discriminatory treatment to developing countries in those fields of international economic co-operation where it may be feasible.

Article 20

Developing countries should, in their efforts to increase their over-all trade, give due attention to the possibility of expanding their trade with socialist countries, by granting to these countries conditions for trade not inferior to those granted normally to the developed market economy countries.

Article 21

Developing countries should endeavour to promote the expansion of their mutual trade and to this end, may, in accordance with the existing and evolving provisions and procedures of international agreements where applicable, grant trade preferences to other developing countries without being obliged to extend such preferences to developed countries, provided these arrangements do not constitute an impediment to general trade liberalization and expansion.

Article 22

1. All States should respond to the generally recognized or mutually agreed development needs and objectives of developing countries by promoting increased net flows of real resources to the developing countries from all sources, taking into account any obligations and commitments undertaken by the States concerned, in order to reinforce the efforts of developing countries to accelerate their economic and social development.

2. In this context, consistent with the aims and objectives mentioned above and taking into account any obligations and commitments undertaken in this regard, it should be their endeavour to increase the net amount of financial flows from official sources to developing countries and to improve the terms and conditions.

3. The flow of development assistance resources should include economic and technical assistance.

Article 23

To enhance the effective mobilization of their own resources, the developing countries should strengthen their economic co-operation and expand their mutual trade so as to accelerate their economic and social development. All countries, especially developed countries, individually as well as through the competent international organizations of which they are members, should provide appropriate and effective support and co-operation.

Article 24

All States have the duty to conduct their mutual economic relations in a manner which takes into account the interests of other countries. In particular, all States should avoid prejudicing the interests of developing countries.

Article 25

In furtherance of world economic development, the international community, especially its developed members, shall pay special attention to the particular needs and problems of the least developed among the developing countries, of land-locked developing countries and also island developing countries, with a view to helping them to overcome their particular difficulties and thus contribute to their economic and social development.

Article 26

All States have the duty to coexist in tolerance and live together in peace, irrespective of differences in political, economic, social and cultural systems, and to facilitate trade between States having different economic and social systems. International trade should be conducted without prejudice to generalized non-discriminatory and non-reciprocal preferences in favour of developing countries, on the basis of mutual advantage, equitable benefits and the exchange of most-favoured-nation treatment.

Article 27

1. Every State has the right to fully enjoy the benefits of world invisible trade and to engage in the expansion of such trade.

2. World invisible trade, based on efficiency and mutual and equitable benefit, furthering the expansion of the world economy, is the common goal of all States. The role of developing countries in world invisible trade should be enhanced and strengthened consistent with the above objectives, particular attention being paid to the special needs of developing countries.

3. All States should co-operate with developing countries in their endeavours to increase their capacity to earn foreign exchange from invisible transactions, in accordance with the potential and needs of each developing country, and consistent with the objectives mentioned above.

Article 28

All States have the duty to co-operate in achieving adjustments in the prices of exports of developing countries in relation to prices of their imports so as to promote just and equitable terms of trade for them, in a manner which is remunerative for producers and equitable for producers and consumers.

CHAPTER III

Common responsibilities towards the international community

Article 29

The sea-bed and ocean floor and the subsoil thereof, beyond the limits of national jurisdiction, as well as the resources of the area, are the common heritage of mankind. On the basis of the principles adopted by the General Assembly in resolution 2749 (XXV) of 17 December 1970, all States shall ensure that the exploration of the area and exploitation of its resources are carried out exclusively for peaceful purposes and that the benefits derived therefrom are shared equitably by all States, taking into account the particular interests and needs of developing countries; an international régime applying to the area and its resources and including appropriate international machinery to give effect to its provisions shall be established by an international treaty of a universal character, generally agreed upon.

Article 30

The protection, preservation and the enhancement of the environment for the present and future generations is the responsibility of all States. All States shall endeavour to establish their own environmental and developmental policies in conformity with such responsibility. The environmental policies of all States should enhance and not adversely affect the present and future development potential of developing countries. All States have the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction. All States should co-operate in evolving international norms and regulations in the fields of the environment.

CHAPTER IV

Final provisions

Article 31

All States have the duty to contribute to the balanced expansion of the world economy, taking duly into account the close interrelationship between the well-being of the developed countries and the growth and development of the developing countries and that the prosperity of the international community as a whole depends upon the prosperity of its constituent parts.

Article 32

No State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights.

Article 33

1. Nothing in the present Charter shall be construed as impairing or derogating from the provisions of the Charter of the United Nations or actions taken in pursuance thereof.

2. In their interpretation and application, the provisions of the present Charter are interrelated and each provision should be construed in the context of the other provisions.

Article 34

An item on the Charter of Economic Rights and Duties of States shall be inscribed on the agenda of the General Assembly at its thirtieth session, and thereafter on the agenda of every fifth session. In this way a systematic and comprehensive consideration of the implementation of the Charter, covering both progress achieved and any improvements and additions which might become necessary, would be carried out and appropriate measures recommended. Such consideration should take into account the evolution of all the economic, social, legal and other factors related to the principles upon which the present Charter is based and on its purpose.

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Canadian Statement on
the Charter of Economic
Rights and Duties of States

---UNGA XXIX:SECOND CTTEE:ITEM 48 CHARTER OF ECONOMIC RIGHTS
AND DUTIES

FOLLOWING IS EXPLANATION OF VOTE ON CHARTER DELIVERED IN PLENARY
THIS MORNING. TEXT BEGINS:MY DEL WISHES, AT THE OUTSET, TO PAY TRI-
BUTE AS WE DID IN THE SECOND CTTEE, TO THE BOLD AND STATESMANLIKE
INITIATIVE OF PRESIDENT ECHEVERRIA OF MEXICO IN PROPOSING, TWO
YEARS AGO, THE PREPARATION AND ADOPTION OF A UN CHARTER ON THE
ECONOMIC RIGHTS AND DUTIES OF STATES,

THE DOCU PRESENTED TO US, MR PRESIDENT, DEALS WITH A VAST RANGE
OF EXCEEDINGLY COMPLEX ISSUES AND IT IS A TRIBUTE TO THE TIRELESS
EFFORTS OF THOSE WHO PARTICIPATED ACTIVELY IN THE NEGOTIATIONS
ON IT THAT AGREEMENT WAS ACHIEVED ON BY FAR THE GREATER PORTION
OF THE ISSUES FACING THEM. THAT AGREEMENT WAS NOT/NOT REACHED ON
ALL ISSUES IN THE TIME AVAILABLE, IS A CLEAR INDICATION OF THE
SENSITIVITY OF THOSE ISSUES, IN THIS CONNECTION, I SHOULD NOTE THAT
WE WERE AMONG THOSE DELS WHICH FAVOURED SOME EXTENSION OF THE
NEGOTIATING TIMETABLE OF THE CHARTER IN THE HOPE THAT THIS MIGHT

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PERMIT A FULLY AGREED TEXT TO EMERGE.

MR PRESIDENT, I WISH TO UNDERLINE, ONCE AGAIN, THE FIRM SUPPORT OF THE CDN GOVT FOR THE BASIC OBJECTIVE OF THE CHARTER, NAMELY THE FORMULATION OF PRINCIPLES AND GUIDELINES TO ENABLE THE INNATL COMMUNITY TO ESTABLISH AND MAINTAIN AN EQUITABLE DISTRIBUTION OF THE WORLDS WEALTH AND THEREBY TO CONTRIBUTE TO AN INNATL PEACE BASED UPON JUSTICE. THIS WAS THE OBJECTIVE WHICH GUIDED US IN THE NEGOTIATIONS ON THE CHARTER AND WHICH WILL CONTINUE TO GUIDE US WHEN THE ISSUES TO WHICH THE CHARTER ADDRESSES ITSELF ARE CONSIDERED HERE AND IN OTHER BODIES,

MR PRESIDENT, BEFORE COMMENTING ON PARTICULAR PROVISIONS OF THE CHARTER AND ON CDAS VOTING POSITION, I SHOULD LIKE TO NOTE THAT MY DEL HAS ACTIVELY SOUGHT SOME PROCEDURE WHEREBY OUR VIEWS, REGISTERED ON THE CHARTER IN THE SECOND CTTEE, COULD BE FULLY REFLECTED IN THE RECORDS OF THE UNGA WITHOUT THE NEED TO REITERATE OUR REMARKS IN FULL-HERE IN THE PLENARY, UNFORTUNATELY IT APPEARS THAT IT IS NOT/NOT POSSIBLE TO PROCEED IN THIS FASHION AND I AM THEREFORE CONSTRAINED TO MAKE THE FOLLOWING COMMENTS.

MR PRESIDENT, THE CANDEL TOOK CONSIDERED POSITIONS ON CERTAIN OF THE FUNDAMENTAL ISSUES IN THE CHARTE, I SHOULD LIKE TO TURN FIRST TO CHAPTER II, ARTICLE 2, ON PERM SOVEREIGNTY AND THE TREATMENT OF FOREIGN INVESTMENT AND TO REMIND DISTINGUISHED REPS THAT CDA APPROACHES THIS ARTICLE FROM THE VIEWPOINT OF A COUNTRY WHICH, WHILE A COUNTRY OF ORIGIN OF A CERTAIN AMOUNT OF FOREIGN

INVESTMENT ABROAD, RECEIVES AS HOST COUNTRY A FAR LARGER AMOUNT OF SUCH INVESTMENT FROM ABROAD. WE ARE A COUNTRY IN WHOSE ECONOMY FOREIGN INVESTMENT PLAYS A MAJOR ROLE AND WE ARE THUS VERY MUCH AWARE OF BOTH ITS ADVANTAGES AND ITS DISADVANTAGES. MY GOVT HAS ONLY RECENTLY ENACTED LEGISLATION TO ENSURE THAT NEW FOREIGN INVESTMENT TAKES PLACE IN A MANNER WHICH WILL BRING SIGNIFICANT ECONOMIC BENEFIT TO CDA.

THE TEXT OF THIS ARTICLE-ARTICLE 2-PRESENTS SEVERAL DIFFICULTIES FOR MY DEL. THE UN FOR A NUMBER OF YEARS ASSERTED, IN VARIOUS RESOLNS, THE PERM SOVEREIGNTY OF STATES OVER THEIR NATURAL RESOURCES, PARAI OF ARTICLE 2, HOWEVER, ASSERTS THE PERM SOVEREIGNTY OF EVERY STATE NOT/NOT ONLY OVER ITS NATURAL RESOURCES BUT, IN ADDITION, OVER ITS WEALTH AND ECONOMIC ACTIVITIES. THE PARA CONTAINS NO/NO ELEMENT RESTRICTING THE TERRITORIAL APPLICATION OF THESE CONCEPTS. IT IS THUS CLEARLY OPEN TO THE INTERPRETATION THAT IF A STATE CHOOSES TO TRANSFER A PORTION OF ITS WEALTH ABROAD, FOR EXAMPLE BY INVESTING IN THE ECONOMIES OF OTHER COUNTRIES, IT NEVERTHELESS RETAINS FULL PERM SOVEREIGNTY OVER THAT WEALTH. I RATHER DOUBT THAT MANY COUNTRIES WOULD ACCEPT INVESTMENT ON SUCH TERMS. I CAN CERTAINLY GIVE NO/NO ASSURANCE THAT MY OWN COUNTRY COULD DO SO. INDEED, MR PRESIDENT, IN THIS RESPECT THE UNQUALIFIED REFS

TO FULL PERM SOVEREIGNTY OVER WEALTH AND ECONOMIC ACTIVITIES ARE IN DIRECT CONTRADICTION TO LATER PROVISIONS OF ARTICLE 2 WHICH ASSERT THE PRIMARY JURISDICTION OF THE HOST STATE IN RESPECT OF FOREIGN INVESTMENT.

PARA2(A) ASSERTED IN ITS ORIGINAL VERSION THAT NO/NO STATE WHOSE NATLS INVEST IN A FOREIGN COUNTRY SHALL DEMAND PRIVILEGED TREATMENT FOR SUCH INVESTORS. OUR PROBLEM HERE WAS IN DETERMINING WHAT, IN THE VIEW OF THE SPONSORS OF THIS TEXT, CONSTITUTED PRIVILEGED TREATMENT. IT IS NOT/NOT THE VIEW OF MY GOVT THAT CDN INVESTORS SHOULD OCCUPY A PRIVILEGED POSITION IN THE ECONOMIES OF THE COUNTRIES IN WHICH THEY INVEST, BUT IT IS OUR VIEW THAT, WHEN A HOST STATE TAKES MEASURES AGAINST FOREIGN INVESTMENT, IT SHOULD NOT/NOT DISCRIMINATE AGAINST CDN FOREIGN INVESTMENT IN RELATION TO FOREIGN INVESTMENT FROM OTHER SOURCES, AND THE MEASURES WHICH IT APPLIES TO ALL FOREIGN INVESTMENT SHOULD BE IN ACCORDANCE WITH ITS INNATL OBLIGATIONS. IF EITHER OF THESE REQUIREMENTS WERE NOT/NOT MET, MY GOVT WOULD FEEL IT WAS ENTITLED TO RAISE THE MATTER WITH THE GOVT OF THE HOST STATE AND TO RELY ON ANY RELEVANT PRINCIPLES OF INNATL LAW. WE COULD NOT/NOT CONSIDER THIS AS CONSTITUTING A DEMAND FOR PREFERENTIAL TREATMENT. BUT WE ARE NOT/NOT AT ALL CONFIDENT THAT ALL THE SPONSORS OF THE TEXT SHARE THIS VIEW. OUR PROBLEM WAS NOT/NOT SOLVED BY THE AMENDMENT MADE TO THIS TEXT.

I AM HAPPY TO SAY THAT MY DEL FULLY SUPPORTS THE TEXT OF

PARA2(B) OF ARTICLE 2 RESPECTING THE REGULATION OF TRANSNATL CORPORATIONS.

AS FOR PARA2(C), MY DEL DOES NOT/DENY THE RIGHT OF A STATE TO NATIONALIZE FOREIGN PROPERTY BUT IT DOES MAINTAIN THAT THIS RIGHT IS CONDITIONAL UPON THE PAYMENT OF COMPENSATION. THE QUESTION OF WHAT AMOUNT OF COMPENSATION IS JUST OR EQUITABLE WILL NATURALLY DEPEND UPON THE PARTICULAR CIRCUMSTANCES OF EACH INDIVIDUAL CASE, BUT MY DEL IS UNABLE TO ACCEPT A TEXT WHICH SEEKS TO ESTABLISH THE PRINCIPLE THAT A STATE MAY NATIONALIZE OR EXPROPRIATE FOREIGN PROPERTY WITH^{OUT} COMPENSATION, IN EFFECT TO CONFISCATE SUCH PROPERTY. THIS, IN THE VIEW OF MY DEL, IS THE EFFECT OF PARA 2(C) OF ARTICLE 2.

I WISH TO REFER NOW, MR PRESIDENT, TO AN ISSUE WHICH CONSTITUTES ONE OF THE MOST IMPORTANT OBSTACLES TO MY DELS SUPPORT OF THE CHARTER AS A WHOLE, NAMELY THE ABSENCE OF ANY REF IN ARTICLE 2 TO THE APPLICABILITY OF INNATL LAW TO THE TREATMENT OF FOREIGN INVESTMENT. THERE IS, OF COURSE, A VERY RELEVANT DISTINCTION BETWEEN THE BODY OF LAW TO BE APPLIED IN THE EVENT OF A DISPUTE AND THE TRIBUNAL WHICH IS TO APPLY THAT LAW. IT IS CLEAR THAT, IN THE ABSENCE OF A RELEVANT ACCEPTANCE OF THE COMPULSORY JURISDICTION OF THE ICJ (IN THE CASE OF DISPUTES BETWEEN STATES) OR SOME OTHER AGREEMENT BETWEEN THE PARTIES RESPECTING DISPUTES SETTLEMENT, JURISDICTION IN RESPECT OF A DISPUTE RESTS WITH THE APPROPRIAT TRIBUNAL OF THE HOST STATE.

THIS DOES NOT/NOT, HOWEVER, ALTER THE FACT THAT THE HOST STATES MEASURES MUST BE CARRIED OUT IN CONFORMITY WITH ITS INNATL LEGAL OBLIGATIONS. THERE IS, OF COURSE, DISAGREEMENT AMONG STATES OVER WHETHER SUCH OBLIGATIONS ARISE ONLY FROM TREATIES OR FROM PRINCIPLES OF CUSTOMARY INNATL LAW AS WELL. THE AMENDMENT TO ARTICLE 2 WHICH MY DEL HAD THE HONOUR OF COSPONSORING IN THE SECOND CTTEE USED DELIBERATELY IN PARA 3, THE WORDS QUOTE INNATL OBLIGATIONS UNQUOTE RATHER THAN QUOTE INNATL LAW UNQUOTE IN ORDER TO ALLOW BOTH GROUPS OF STATES TO MAINTAIN THEIR RESPECTIVE POSITIONS ON THIS ISSUE.

EVEN AMONG STATES WHICH, LIKE CDA, HOLD THE VIEW THAT THERE ARE PRINCIPLES OF CUSTOMARY INNATL LAW WHICH ARE RELEVANT TO THE TREATMENT OF FOREIGN INVESTMENT, THERE IS DISAGREEMENT ABOUT THE PRECISE CONTENT OF THESE PRINCIPLES. WHERE OLD LAW IS UNJUST OR INEFFECTIVE, THEN IT MUST BE CHANGED TO REFLECT THE PRESENT ECONOMIC INTERDEPENDENCE OF STATES AND THE NEED FOR THE DEVELOPMENT OF THE DEVELOPING COUNTRIES, WHICH ARE THE TWO MOST IMPORTANT FACTS OF ECONOMIC LIFE IN OUR GENERATION. IT HAD BEEN THE HOPE OF MY DEL THAT THIS CHARTER WOULD COMMAND THE CONSENSUS NECESSARY TO ENABLE IT TO CONTRIBUTE TO THE CODIFICATION AND PROGRESSIVE DEVELOPMENT OF LAW IN THIS AREA. UNHAPPILY, THIS IS NOT/NOT THE CASE.

THE THIRD PARA PROPOSED IN THE AMENDMENT FOR ARTICLE 2, PREJUDGED NEITHER THE CONTENT OF INNATL LAW RELATING TO FOREIGN INVESTMENT,

NOR THE SOURCES OF SUCH LAW. IT MERELY SOUGHT TO ESTABLISH THE PRINCIPLE THAT IN THIS VERY IMPORTANT AREA OF INNATL RELATIONS, THE RULE OF LAW IS TO APPLY AMONG STATES. WE ARE AWARE THAT CHAPTER I REFERS TO THE FULFILMENT IN GOOD FAITH OF INNATL OBLIGATIONS, BUT THE APPLICATION OF THIS PRINCIPLE TO ARTICLE 2 IS, IN THE VIEW OF MY DEL, SERIOUSLY IMPAIRED BY THE UNQUALIFIED REF IN PARA2(C) TO THE DOMESTIC LAW OF THE NATIONALIZING STATE.

I HAVE ALREADY SAID THAT THE PROPOSED PARA3 MERELY SOUGHT RECOGNITION THAT THE RULE OF LAW WOULD APPLY AMONG STATES IN RESPECT OF FOREIGN INVESTMENT. THE REASON MY DEL ATTACHES SUCH IMPORTANCE TO THIS POINT, MR PRESIDENT, IS THAT IF WE ARE TO ACHIEVE AND MAINTAIN THE EQUITABLE DISTRIBUTION OF THE WORLDS WEALTH WHICH THIS CHARTER IS INTENDED TO PROMOTE, A SIGNIFICANT FLOW OF PRIVATE CAPITAL FROM DEVELOPED TO DEVELOPING COUNTRIES IN THE FORM OF INVESTMENT WILL BE REQUIRED. THIS MOVEMENT OF CAPITAL WILL TAKE PLACE ONLY IN CONDITIONS WHICH PROVIDE AT LEAST A CERTAIN DEGREE OF SECURITY, WHICH CANNOT/NOT POSSIBLY EXIST IF THE RULE OF LAW IS REJECTED.

IT IS THEREFORE THE VIEW OF MY DEL, MR PRESIDENT, THAT ARTICLE 2 AS IT NOW APPEARS, FAR FROM PROMOTING THE DEVELOPMENT OF DEVELOPING COUNTRIES, WILL CONSTITUTE AN OBSTACLE TO THAT DEVELOPMENT, WHICH THE INDIVIDUAL COUNTRIES CONCERNED WILL HAVE TO OVERCOME IN SEEKING TO ATTRACT THE FUNDS REQUIRED FOR THEIR DEVELOPMENT. IT IS FOR THIS REASON, MR PRESIDENT, THAT MY DEL IS UNABLE TO SUPPORT THIS ARTICLE.

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WITH RESPECT TO ARTICLE 5, CDA UNDERSTANDS THE DESIRE OF NATIONS TO ACHIEVE STABLE AND REMUNERATIVE EXPORT EARNINGS. HOWEVER, AS A MAJOR EXPORTER AND IMPORTER OF MANY IMPORTANT COMMODITIES, IT IS THE CDN VIEW THAT, WHERE INNATL ACTION IS REQUIRED TO RESOLVE COMMODITY PROBLEMS, THIS SHOULD BE JOINTLY DEvised AND IMPLEMENTED BY EXPORTERS AND IMPORTERS.

CDA HAS SUPPORTED THE TEXT OF ARTICLE 6 BECAUSE IT FEELS THIS TEXT APROXLY REFLECTS THE CDN POSITION ON THIS ISSUE. WE INTERPRET THE TEXT TO MEAN THAT JUST AS EXPORTING NATIONS HAVE A RESPONSIBILITY TO PROMOTE THE FLOW OF COMMERCIAL GOODS, SO TOO DO IMPORTING NATIONS HAVE A CORRESPONDING AND BALANCING RESPONSIBILITY TO FACILITATE ACCESS OF GOODS, INCLUDING PROCSSSED AND FABRICATED PRODUCTS.

WITH RESPECT TO ARTICLE 15, MY DEL WAS ABLE , IN THE SECOND CTTEE TO VOTE FOR THE TEXT, AS CDA HAS LONG BEEN A STRONG SUPPORTER OF DISARMAMENT MEASURES. HOWEVER, WE WOULD NOTE THAT THE CONCEPT OF A LINK BETWEEN DISARMAMENT AND DEVELOPMENT FINANCING HAS FOR SOME TIME BEEN THE SUBJ OF DISCUSSION AMONGST INTERESTED STATES. CDA, FOR ONE, WOULD AT THIS STAGE OF THESE DISCUSSIONS CONTINUE TO QUESTION THE VALIDITY OF THE CONCEPT THAT DEVELOPMENT FUNDS MAY BE AUTOMATICALLY GENERATED BY DISARMAMENT.

THE CANDEL ABSTAINED IN CTTEE ON THE TEXT OF ARTICLE 16. WE ARE QUITE IN SYMPATHY WITH THE GOALS OF THIS ARTICLE. WE DO, HOWEVER,

HAVE RESERVATIONS WITH RESPECT TO THE OBLIGATIONS WHICH THE ARTICLE WOULD IMPOSE ON ALL STATES TO EXTEND ASSISTANCE TO THE COUNTRIES, TERRITORIES, AND PEOPLES MENTIONED. ADDITIONALLY, WE CONSIDER THE DEGREE OF INTERPRETATION WHICH MAY BE ATTACHED TO SUB-ARTICLE TWO OF THIS ARTICLE IS FAR TOO BROAD TO SERVE THE BEST PURPOSES OF THE CHARTER AS A WHOLE, PARTICULARLY WHEN THE IMPORTANT QUESTION OF THE SOVEREIGNTY OF STATES WHICH ARE HOST COUNTRIES TO FOREIGN INVESTMENT IS CONSIDERED.

MY DEL WAS ALSO CONSTRAINED TO ABSTAIN THE CTTEE VOTE ON ARTICLE 19 FOR THE REASON THAT WHILE GENERALIZED PREFERENTIAL, NON-RECIPROCAL AND NON-DISCRIMINATORY TREATMENT TO DEVELOPING COUNTRIES MAY BE TECHNICALLY FEASIBLE IN TERMS OF FORMULATING A MECHANISM WHEREBY SUCH PREFERENCES MAY BE EXPRESSED, THE EXTENSION OF PREFERENCES IN SOME FIELDS MAY NOT/NOT BE APPROPRIATE.

MY DEL WOULD HAVE BEEN ABLE TO ACCEPT THE TEXT OF ARTICLE 26 BUT FOR THE MANNER IN WHICH MOST-FAVOURLED-NATION TREATMENT WAS REFERRED TO. CDA RECOGNIZES THAT THE EXCHANGE OF MOST-FAVOURLED-NATION TREATMENT MAY IN A GREAT MANY CASES BE AN APPROPRIATE BASIS FOR INNATL TRADE RELATIONS. IT IS CDAS VIEW, HOWEVER, THAT THE ESTABLISHMENT OF SUCH A BASIS IS ONE FOR THE STATES CONCERNED TO WORK OUT IN EACH INSTANCE BETWEEN THEMSELVES, THROUGH THE NEGOTIATION OF EITHER BILATERAL OR MULTILATERAL ARRANGEMENTS.

REGARDING ARTICLE 28, CDA CONSIDERS THAT TECHNIQUES AIMED AT PROTECTING THE TERMS OF TRADE OF DEVELOPING COUNTRIES BOTH MERIT AND REQUIRE DETAILED EXAMINATION. HOWEVER, WE HAVE STRONG DOUBTS ON THE DESIRABILITY AND FEASIBILITY OF LINKING THE PRICES OF EXPORTS OF DEVELOPING COUNTRIES TO THE PRICES OF THEIR IMPORTS. THE QUESTION OF LINKAGE INVOLVES SEVERAL DIFFICULT AND COMPLEX ISSUES AND HAS NOT/NOT BEEN CONSIDERED IN DEPTH IN VARIOUS FORA; THEREFORE, IT IS THE CDN VIEW THAT IT WOULD BE PREMATURE TO INCLUDE THIS CONCEPT IN THE CHARTER.

TO SUM UP, MR PRESIDENT, IT IS A MATTER OF CONSIDERABLE DISAPPOINTMENT TO MY DEL THAT, AFTER TWO YEARS OF EFFORT BY THE UNCTAD WORKING GROUP ON THE CHARTER IN WHICH CDN REPS CONSISTENTLY PLAYED A LEADING ROLE, IT WAS NOT/NOT POSSIBLE TO REACH AGREEMENT ON A CHARTER WHICH ENGAGED THE GENERAL SUPPORT OF THE INTL COMMUNITY. IN VIEW OF THE MANNER IN WHICH THIS DOCU HAS BEEN ADOPTED, I MUST MAKE CLEAR, MR PRESIDENT, THAT IN THE VIEW OF MY DEL, THE DOCU CANNOT/NOT BE CONSIDERED AS A BASIS FOR THE EVOLUTION OF INTL LAW IN THE CONTROVERSIAL AREAS WHERE THE CHARTER DID NOT/NOT GAIN GENERAL ACCEPTANCE. TEXT ENDS.

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STATEMENT DISCOURS



NOTES FOR INTERVENTION
BY THE SECRETARY OF
STATE FOR EXTERNAL AFFAIRS,
THE HONOURABLE ALLAN J.
MACEachEN, AT UNCTAD IV,
MAY 7, 1976
NAIROBI, KENYA

"SHARING AND SURVIVAL"

Mr. President:

At Santiago, in 1972, the Head of the Canadian Delegation looked back at the development of UNCTAD since the first conference. He reviewed its growth and concluded that UNCTAD had taken its place as one of the great deliberative bodies of the world. That is now beyond question: UNCTAD has become an indispensable element of the system. Much credit for this must go to its three distinguished Secretaries-General: Raul Prebisch, Manuel Pérez-Guerrero, and Gamani Corea.

Since 1972 a great deal has happened to increase the importance of UNCTAD. Events in the economic sphere have altered permanently the way in which we perceive international economic problems and the way in which we must cope with them. UNCTAD has become one of the foremost international institutions to which we turn to find solutions to economic problems of global concern. We must look far into the future, and do so with an unprecedented sense of urgency.

In the past four years the efforts of the international community to comprehend and address the global economic problems with which this conference must deal have not been in vain. We now have a much improved knowledge and appreciation of these problems and of the ways in which they affect the Third World. We know they are complex and difficult but not insoluble. We have learned that the most promising way to make progress is through a sustained dialogue based on an increased readiness of the wealthier countries to share their wealth and of all to deal with the issues realistically and constructively. I believe that we have passed the stage of analysis and assessment of issues. We must now get together to devise workable and dynamic solutions - and solutions mean action.

It is of significance - and particularly so for this conference - that a group of countries is meeting throughout this year in Paris to discuss in depth the problems of energy, raw materials, development and finance. I have the honour of sharing the duties of presiding over the Conference on International Economic Co-operation with the distinguished head of the Venezuelan

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delegation, Dr. Manuel Perez-Guerrero. The Paris Conference is a different kind of international forum - with a limited time frame and a representative, if restricted membership. It is, nevertheless, of importance to our deliberations here because the Paris Conference and UNCTAD IV share common goals. Clearly our efforts in Nairobi and Paris must be mutually reinforcing. As co-chairman of the Paris Conference I am convinced that substantial and positive results here at UNCTAD IV - results so vitally important in themselves - will assist us in Paris in fulfilling the objectives of that Conference. If we succeed here, the process which is underway in Paris will be much strengthened. We shall be better able as we come to the second half of the Conference in Paris to focus on specific proposals for action. UNCTAD and CIEC can both contribute to the essential goal: international economic co-operation for the benefit of all countries and people.

Against this background I submit that all countries have a stake in the outcome of this Conference. In UNCTAD we are in a forum for global consideration and negotiation by all countries of crucial economic, trade and development issues of common interest. If we approach these issues with a recognition of our common interests, if we understand the importance of mutual benefit and of sharing, we can succeed.

I would like now to turn to some of the specific issues before the Conference.

Commodities

Improvement in the position of developing countries which export primary commodities must be our basic objective. In our view, the stabilization of commodity prices and earnings is perhaps the most fundamental problem that this Conference must address. Canada as a major commodity trader regards the instability of commodity markets as a major weakness of the international trading system requiring urgent remedy. We accept the need for a comprehensive integrated approach to the resolution of commodity trade problems and we shall work for the elaboration of elements of such an approach, particularly as regards individual commodities.

As part of the Canadian approach we support the principle of joint producer-consumer financial responsibility on a mandatory basis for the establishment of buffer stocks within commodity arrangements containing such stocks. In the negotiation of the Fifth International Tin Agreement we had indicated that we were prepared to accept mandatory producer-consumer financing of the buffer stock. That Agreement, as negotiated, provides for voluntary contributions from consumer members. I am pleased to state that Canada shall make a financial contribution to the buffer stock of the Fifth International Tin Agreement.

At the Seventh Special Session of the United Nations General Assembly Canada indicated its willingness to examine sympathetically, along with other potential donors, the concept of a common fund to finance buffer stocks. In our view the need for such a fund and its operational modalities will depend on a number of commodities for which agreements based on buffer stocks are negotiated. We are prepared to continue examination of the proposal for a common fund in the light of the results of commodity consultations and negotiations.

In the months ahead we expect that interested Governments will come together to work out, within an agreed time frame, specific ways and means to deal with the problems of individual commodities and give effect to the decisions of this Conference.

Financial Problems of Developing Countries

There are a number of important financial issues of special concern to developing countries on the agenda of this conference. I wish to address two of these in particular - debt relief in the context of the balance of payments problems of developing countries and official development assistance.

The growth of the global balance of payments deficit of non-OPEC developing countries from approximately 9 billion dollars in 1973 to between 35 and 45 billion dollars in 1975 emphasizes the importance of our deliberations. It is not sufficient to address the current debt problems of developing countries. We must also work to reduce their occurrence in the future.

Canada attaches great importance to the provision of development assistance on the softest possible terms. We consider it essential that loans conferred as development assistance not place developing country recipients in debt repayment situations in which they will eventually have difficulty in meeting their financial obligations.

Canada's development assistance has been and continues to be highly concessional. To date all of Canada's official development assistance has exceeded a grant element of 50% with an overall average of 95%. We believe that the terms on which development assistance funds are provided, particularly to the poorest countries, should be improved. We urge that the international grant element threshold for official development assistance be raised above 25% as a meaningful step in this direction and we are prepared to join other donors in setting the new threshold as high as 50 percent.

Turning to the immediate problem I wish to affirm Canada's readiness to consider debt relief for developing countries. We are conscious of the particularly acute debt problem of the poorest of the developing countries and are prepared to look sympathetically at specific cases. Multilateral development finance institutions, for their part, should consider committing new resources, within their programme priorities, up to the equivalent of the debt service payments due them from countries for which an agreed debt reorganization is negotiated.

We approach the question of an international conference to consider the debt problems of developing countries with an open mind. It would be important that any such conference be well prepared and that its objectives be clearly defined. We see the need to consider debt questions in the context of overall balance of payments problems and hence as being closely tied to the level of financial flows.

With respect to the levels of official development assistance Canada's ODA as a percentage of GNP has grown to over 0.55 percent in our fiscal year 1975/76. We reaffirm our determination to achieve the target of 0.7 percent. In the coming years Canada's official development assistance will continue to grow and we shall work toward the 0.7 percent target as rapidly as available fiscal

resources allow. The bulk of our assistance will continue to be provided to the poorest developing countries.

Trade Liberalization

It is fundamental to the development of the countries of the Third World that their exports have access to the markets of the industrialized countries. Of course their mutual trade and access to one another's markets is also of major importance. We are working through the multi-lateral trade negotiations in Geneva for trade liberalization measures which will have a beneficial impact on the economies of developing countries. In connection with industrial development and further processing of raw materials in producing countries, Canada has made specific proposals in the MTN which, we believe, will be beneficial to the developing countries producing certain important raw materials.

The establishment of generalized preference schemes has been an important means of encouraging the exports of developing countries. We welcome the improvement others have made in their schemes. Canada proposes to broaden its system through the work of the tropical products group of the MTN and also intends to extend its geographical coverage to include all the least developed of developing countries and all the former Portuguese territories whether or not they have most-favoured nation agreements with Canada.

Within the MTN Canada will seek improvement of rules on the application of safeguard actions, including those applied against the products of developing countries, which will ensure that such actions are temporary and subject to international guidelines and surveillance. We will be reviewing our current adjustment assistance measures in the context of the MTN and will be taking into account the interests of developing countries as they relate to the longer term evolution of the Canadian economy.

Finally in the area of trade, Canada is examining various alternatives for using aid funds to establish a trade facilitation office to assist developing countries seeking to export to the Canadian market. The UNCTAD/GATT International Trade Centre could play an important role in this endeavour.

Transfer of Technology

The final specific area I wish to touch on is the transfer of technology. Canada is giving continued and substantial support for the development of appropriate technologies for developing countries through our aid programme and through the International Development Research Centre, which focusses its attention and resources on research and technology in developing countries. Canada intends to explore further the creation of links between research institutions in Canada and corresponding institutions in developing countries. Such arrangements could provide Canadian institutions with a greater appreciation of the problems of developing countries - they could influence, over the longer term, the orientation of our domestic research and development programmes toward Third World problems, and they could provide a channel for the transfer of advice, assistance and technology to developing countries.

Canada would support further work on a voluntary, universally applicable, code of conduct which sets out guidelines for the transfer of technology on a supplier-recipient basis. We further support continuing international discussion within UNCTAD on restrictive business practices adversely affecting international trade, particularly that of developing countries.

Conclusion

I have outlined our views and ideas on several of the major issues and proposals before this conference.

There is a heavy responsibility on every government to facilitate the confidence of the global community. Part of our task at UNCTAD IV will be to bring closer together our differing perceptions as to what is equitable and what can be achieved. Canada as a developed country recognizes that the commitment to share is fundamental to our success.

We must see the hard decisions ahead of us not only in terms of problems to be solved but in terms of opportunities and challenges to shape a better world. This will require intensified efforts to reduce disparities between rich and poor throughout the world and to eliminate wasteful

consumption. Difficult choices are required now - if necessary action is not taken now harder decisions and more drastic sacrifices will have to be made in the future.

Canada will use its influence and its resources to bring about constructive change in the international economic system. I pledge my own effort to continue to work toward this goal here at UNCTAD IV and at the Conference on International Economic Co-operation.

It is Canada's conviction that only through sharing can we ensure our survival.

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JUNE 10, 1976
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STATEMENT DISCOURS

NOTES FOR A STATEMENT ON
MOTIONS IN THE HOUSE OF
COMMONS, BY THE SECRETARY
OF STATE FOR EXTERNAL AFFAIRS,
THE HONOURABLE ALLAN J.
MACEachEN,
JUNE 10, 1976

"RESULTS OF UNCTAD IV"

In reporting to the House on the results of the United Nations Conference on Trade and Development, I should like to say at the outset that its immediate results represent a major achievement in the dialogue between developed and developing countries on a new international economic order and that the longer-term impact of Nairobi will be substantial. Obviously, UNCTAD IV (United Nations Conference on Trade and Development) -- like all conferences where countries are required to make compromises in order to ensure agreement -- did not achieve all that Canada or other developed and developing countries might have wished. But it was, without question, a most important step in the efforts to reduce disparities between developed and developing countries which were initiated at the Seventh Special Session of the United Nations.

At that session I stated that Canada was determined to play a positive role, to use our resources and our influence to help bring about constructive change in the international economic system and thereby to reduce the gap between rich and poor nations. Governments committed themselves at that time to work together to make changes in the international trade and payments system in order to enable it to contribute to more rapid economic development in the developing countries, and to permit them to obtain a larger and sustained share in world trade.

UNCTAD IV was the first major UN conference following the Seventh Special Session, and in its disagreements as well as in its accords, it reflected these new dimensions: there were efforts to address these questions at a practical level; there were some important new commitments; there was agreement to create a program, time-table and framework for the central issues in which the many essential decisions can be taken.

In my statement to the Conference on May 7, I touched on the four areas Canada considered would be the main issues to be dealt with: the problems of stabilization of commodity trade, the alleviation of the debt servicing difficulties of many developing countries, liberalization of trade to benefit developing countries, and the transfer of technology to developing countries. Of these, the commodities issue proved to be the central focus of the Conference. Indeed, the adoption -- by consensus -- of a resolution which established an integrated program for commodities was the major achievement of UNCTAD IV. The resolution defines the objectives of the integrated program, proposes a list of 18 commodities of particular interest to the developing countries for consideration, describes the international measures to be taken in the context of the program, and establishes procedures and a time-table for pursuing it. On the important question of a Common Fund, the resolution provides for a negotiating conference to be held next year and for a series of preparatory meetings. As a major importer and exporter of commodities we shall be actively involved in these international discussions

and shall work with the other participants to resolve the problems of commodity trade which concern developing countries. These discussions and negotiations will provide the appropriate basis for examining the parameters of a common fund and for a decision regarding its establishment. As I stated in the House earlier this week, if we are satisfied in the course of these commodity meetings and negotiations that the common fund will be effective and useful, Canada will make a contribution to it.

The conference also took an important decision on the subject of the financial problems of developing countries by adopting, again by consensus, a resolution on the debt problems of developing countries. The resolution calls for appropriate international bodies to identify features relating to debt servicing problems which could provide guidance in the future for dealing with them. In addition, a ministerial session of the UNCTAD Board will be held in 1977 to review this work and a Group of Experts will be established to assist in this review. We had hoped that some further steps would be taken on the broader subject of financial transfers, which is of fundamental importance to many developing countries, but this was not possible. We had hoped, for example, that the conference would agree to improve the international standard for official development assistance so that developing countries would receive such assistance on softer terms than they do now. Although this was not agreed, we shall continue to pursue this objective.

Apart from these two issues of particular importance, the Conference also adopted resolutions on trade liberalization, the transfer of technology and a number of other subjects. One remarkable, and encouraging, aspect of the Conference was the fact that 12 of the 13 resolutions approved were adopted by consensus. No previous UNCTAD conference has reached such a broad measure of agreement.

Canada supported all of these resolutions, offering explanatory statements on a number of them. We also, together with other industrialized countries, supported a proposal for further study of the concept put forward by the United States. Dr. Kissinger had proposed to the Conference that early consideration be given to the establishment of an International Resources Bank to facilitate resource development in the poorer countries. While we have not reached any final conclusion on this idea, we believe that it fully merited further consideration and we regret that it was narrowly defeated by two votes -- the great majority of developing countries abstained on the resolution.

Despite the difficulties which arose at the Conference and the problems which still need to be resolved, I believe that the outcome augurs well for the continuing dialogue between the developed and developing countries. Most especially, the positive results of the conference, particularly in the commodity area, should provide a useful and constructive basis for pursuing the work of the Conference on International Economic Co-operation in Paris.

At UNCTAD IV, Dr. Pérez Guerrero stated on behalf of the developing members of CIEC -- the Paris Conference -- that failure in Nairobi could bring into question the continuation of that dialogue. The 19 developing countries which are members of CIEC have now assessed the situation. In the light of the progress made on a number of important questions at Nairobi, they have indeed judged it useful to continue the dialogue in Paris. I fully share the view that there is a satisfactory prospect for balanced progress in CIEC during the remainder of the year. In July, the CIEC will be reviewing the progress it has made and setting its course for the second half of the year. I am confident that the results of UNCTAD IV will help the Conference in Paris to pursue its essential objective -- the strengthening of international co-operation for the benefit of all.

So far as Canada is concerned, we shall pursue the work outstanding from UNCTAD IV in UNCTAD, CIEC, and other bodies. We shall pursue our interest in improving the international standard for official development assistance. Together with other countries, we shall consider further the balance of payments and debt problems of developing countries and the appropriate measures for meeting them. We shall continue to support the principle of joint producer/consumer financial responsibility, on a mandatory basis, for buffer stock financing within commodity agreements containing such stocks. We shall be actively involved in consultations and negotiations on individual commodities, and on the common fund. We shall devote efforts to see that the developing countries achieve additional benefits in the course of the multilateral trade negotiations in Geneva. We shall take an active part in the elaboration of a voluntary code of conduct for the transfer of technology, which is universally applicable.

While the decisions taken by UNCTAD IV mark an important stage in our common efforts to reduce disparities between developed and developing countries, our progress towards that goal -- to which the government is fully committed -- will not be easy and will require hard decisions. As we proceed along that course, there will be costs for Canada, and for individual Canadians. Their support will be essential, but with it -- and the support of this House -- we may approach these decisions in a confident and positive manner.

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CONFERENCE ON INTERNATIONAL
ECONOMIC CO-OPERATION

MINISTERIAL CONFERENCE

CCEI - CM4

Original: English

Submitted by: Co-Chairmen
19 December 1975

FINAL COMMUNIQUE

1. The Conference on International Economic Co-operation met in Paris, at ministerial level, from December 16 to December 19. Representatives of the following 27 Members of the Conference took part: Algeria, Argentina, Australia, Brazil, Cameroon, Canada, EEC, Egypt, India, Indonesia, Iran, Iraq, Jamaica, Japan, Mexico, Nigeria, Pakistan, Peru, Saudi Arabia, Spain, Sweden, Switzerland, United States, Venezuela, Yugoslavia, Zaire, Zambia. The ministerial representatives who attended the Conference welcomed the presence of the Secretary-General of the United Nations.

2. The work of the Conference was opened by H.E. the President of the French Republic, Mr. Valéry Giscard d'Estaing.

3. The Hon. Allan J. MacEachen, Secretary of State for External Affairs of Canada, and Dr. Manuel Pérez-Guerrero, Minister of State for International Economic Affairs of Venezuela, co-Chairmen of the Conference on International Economic Co-operation, presided at the Ministerial Meeting.

4. The Ministerial representatives at the Conference expressed their views with regard to the international economic situation. They made suggestions as to how the problems which they had identified might be resolved. Attention was drawn to the plight of the most seriously affected countries. They recognized that the Conference on International Economic Co-operation provides a unique opportunity to address these problems and to further international economic co-operation for the benefit of all countries and peoples.

5. The Conference decided to initiate an intensified international dialogue. To this end, it established four Commissions (on energy, raw materials, development and financial affairs) which will meet periodically through the coming year. It was agreed that each of the four Commissions would consist of fifteen members, ten of them representing developing countries, five of them representing industrialized countries.

6. The Commissions shall start their work on February 11, 1976. Preparation of the work of the four Commissions shall be reviewed at a meeting of the co-Chairmen of the Conference and of the four Commissions after consultation, if considered

desirable, with the other participants in the Conference. This meeting will take place on January 26, 1976 within the framework of the general guidelines contained in paragraphs 10-14 of the Final Declaration of the Second Preparatory Meeting which are approved by the Conference.

7. The Conference agreed that the following participants should serve on the Commissions:

- Energy: Algeria, Brazil, Canada, Egypt, EEC, India, Iran, Iraq, Jamaica, Japan, Saudi Arabia, Switzerland, United States, Venezuela, Zaïre.
- Raw Materials: Argentina, Australia, Cameroon, EEC, Indonesia, Japan, Mexico, Nigeria, Peru, Spain, United States, Venezuela, Yugoslavia, Zaïre, Zambia.
- Development: Algeria, Argentina, Cameroon, Canada, EEC, India, Jamaica, Japan, Nigeria, Pakistan, Peru, Sweden, United States, Yugoslavia, Zaïre.
- Finance: Brazil, EEC, Egypt, India, Indonesia, Iran, Iraq, Japan, Mexico, Pakistan, Saudi Arabia, Sweden, Switzerland, United States, Zambia.

The co-Chairmen of the Commissions will be:

- Energy: Saudi Arabia and United States
- Raw Materials: Japan and Peru
- Development: Algeria and EEC
- Finance: EEC and Iran

Joint meetings of the co-Chairmen of the Conference and of the Commissions may be held if the need arises.

8. It was agreed that members of the Conference who wish to follow the work of a Commission to which they do not belong should be entitled to appoint a representative in the capacity of auditor without the right to speak.

9. The Conference decided that a number of inter-governmental functional organizations which are directly concerned with the problems to be considered would be able to make a useful contribution to their consideration. It therefore invited these organizations (United Nations Secretariat, OPEC, IEA, UNCTAD, OECD, FAO, GATT, UNDP, UNIDO, IMF, IBRD, SELA) to be represented on a permanent basis in the relevant Commissions. Their observers will have the right to speak but not the right to vote and hence will not participate in the formation of a consensus. Each Commission may, in addition, invite appropriate inter-governmental functional organizations to participate as observers ad hoc in the examination of specific questions.

10. The Conference decided to establish an international Secretariat with an exclusively administrative and technical function on the basis of proposals put forward by the two co-Chairmen. It named Mr. Bernard Guitton as head of the Secretariat and approved plans for its organization and operational procedures. The financial costs arising from the establishment of the Secretariat and from future meetings of the Conference will be borne by members of the Conference on the basis of a formula agreed by the Conference.

11. It was agreed that the four Commissions should meet in Paris. Subsequent meetings of the Commissions will be convened by their co-Chairmen.

12. One or several meetings of the Conference at the level of Government officials may be held at least six months after this ministerial meeting. The Ministerial Conference agreed to meet again at Ministerial level in about twelve months time.

13. The Conference adopted the Rules of Procedure recommended by the Preparatory Meeting which are based on the principle of consensus, according to which decisions and recommendations are adopted when the chair has established that no member delegation has made any objection. English, Arabic, Spanish and French are the official and working languages of the Conference. The Rules of Procedure apply to all the bodies of the Conference.

14. The Conference took note of the resolution of the General Assembly entitled "Conference on International Economic Cooperation" (Resolution 3515(xxx)) and agreed to make reports available to the 31st Session of the U.N. General Assembly.

15. The members of the Conference paid special tribute to President Giscard d'Estaing for the action he had taken to bring about the dialogue which is now engaged and expressed their warm appreciation to the Government of France for its hospitality and for the efforts and obligations it had undertaken in order to make the Ministerial Conference a success.

LIST OF HEADS OF DELEGATION TO THE MINISTERIAL CONFERENCE

ALGERIA: H.E. Mr. Abdelaziz Bouteflika, Member of the Council of the Revolution, Minister for Foreign Affairs

ARGENTINA: H.E. Mr. Manuel G. L. Arauz Castex, Minister for Foreign Affairs and Worship

AUSTRALIA: H.E. Sir John Bunting, C.B.E., High Commissioner of Australia in the United Kingdom of Great Britain and Northern Ireland

BRAZIL: H.E. Mr. Antonio Azeredo da Silveira, Minister for Foreign Affairs

CAMEROON: H.E. Mr. Marcel Yondo, Minister of Finance

CANADA: H.E. Mr. Allan J. MacEachen, Secretary of State for External Affairs

EGYPT: H.E. Dr. Ahmed Ezz El Din Helal, Minister of Petroleum

EEC: H.E. Mr. Mariano Rumor, Minister for Foreign Affairs of the Italian Republic, President of the Council
Mr. François Xavier Ortoli, President of the Commission of the European Communities

INDIA: H.E. Mr. Y. B. Chavan, Minister for External Affairs

INDONESIA: H.E. Professor Widjojo Nitisastro, Minister of State for Economic, Financial and Industrial Affairs

IRAN: H.E. Mr. Djamshid Amouzegar, Minister of the Interior

IRAQ: H.E. Mr. Hammadi, Minister for Foreign Affairs

JAMAICA: H.E. Mr. P. J. Patterson, Minister of Industry, Tourism and International Trade

JAPAN: H.E. Mr. Kiichi Miyazawa, Minister for Foreign Affairs

MEXICO: H.E. Mr. Francisco Javier Alejo, Minister for the Preservation of the National Heritage

NIGERIA: H.E. Colonel J. N. Garba, Federal Commissioner for Foreign Affairs

PAKISTAN: H.E. Mr. Aziz Ahmed, Minister of Defence and Foreign Affairs

PERU: H.E. General Miguel Angel de la Flor Valle, Minister for Foreign Affairs

SAUDI ARABIA: H.E. Sheik Ahmad Zaki Yamani

SPAIN: H.E. Mr. José Maria de Areilza, Counte of Motrico, Minister for Foreign Affairs

SWEDEN: H.E. Mr. Sven Andersson, Minister for Foreign Affairs

SWITZERLAND: H.E. Mr. Pierre Graber, Member of the Federal Council, President of the Confederation, Head of the Federal Political Department

H.E. Mr. Ernst Brugger, Member of the Federal Council, Head of the Federal Department of the Public Economy

UNITED NATIONS: Mr. Kurt Waldheim

UNITED STATES OF AMERICA: H.E. Mr. Henry A. Kissinger, Secretary of State

VENEZUELA: H.E. Mr. Manuel Perez Guerrero, Minister of State for International Economic Affairs

YUGOSLAVIA: H.E. Mr. Milos Minić, Vice-President of the Federal Executive Council and Federal Secretary for Foreign Affairs

ZAIRE: H.E. Mr. Mandungu Bula Nyati, State Commissioner for Foreign Affairs and International Co-operation

ZAMBIA: H.E. Mr. R. B. Banda, Minister for Foreign Affairs

FINAL DECLARATION
OF THE
PREPARATORY MEETING FOR THE CONFERENCE
ON INTERNATIONAL ECONOMIC CO-OPERATION

Paris, 16 October 1975

1. The participants in the Preparatory Meeting for the international Conference proposed by the President of the French Republic, which was held in Paris from 7 to 15 April 1975, met again at the International Conference Centre from 13 to 16 October 1975 under the technical chairmanship of Mr. de Guiringaud, Ambassador of France, with a view to pursuing preparation for the dialogue on energy, raw materials, problems of development, including all related financial questions.

2. The ten delegations confirmed the agreement of their authorities on the convening of an international conference on these questions. They decided that the Conference will be called the "Conference on International Economic Co-operation", that it will be held in Paris, that it will be composed of 27 members designated as indicated below, and that it will be convened at ministerial level on 16 December 1975 for a session of two or possibly three days. The Secretary-General of the United Nations will be invited to the Ministerial Conference.

3. The European Economic Community, the United States and Japan, on the one hand, and the seven developing countries participating in the Preparatory Meeting (Algeria, Brazil, India, Iran, Saudi Arabia, Venezuela, Zaire), on the other hand, will assume responsibility for the designation, from among their respective groups and according to the procedures which the industrialized countries and the developing countries, respectively, deem

appropriate, of five industrialized countries and twelve developing countries, to be added to the present participants so as to bring to twenty-seven the number of participants in the Conference. The French Government will be notified, within a period which should not exceed one month, of the list thus established of the delegations to be invited to the Ministerial Conference.

4. The ten delegations also decided that the Conference should have two co-chairmen chosen respectively by each of the two participating groups from among its members, and that they should preside alternately over the meetings in a manner to be agreed between them. The participants in the Preparatory Meeting recommend that the two co-chairmen should be designated as soon as possible after the lists of participants in the Conference have been completed, and they suggest that the two co-chairmen should begin, immediately after being designated, to take together all necessary steps, in liaison with the host country, to ensure that the Ministerial Conference proceeds satisfactorily.

5. The Preparatory Meeting proposes to the Ministerial Conference that it set up a commission for energy, a commission for raw materials, a commission for development and a commission for financial affairs. Each of these commissions should consist of fifteen members, ten of them representing developing countries and five representing industrialized countries, chosen by each of the two groups of participants in the Conference from among its members.

6. In determining the composition of its representation in each commission, each of the two groups at the Conference should choose from among its members those who, because of their special interest and the overall significance of their participation, seem best suited to take part in order that the work may be carried out in an effective and responsible manner.

7. The chairmanship of each of the commissions should be assumed by two co-chairmen designated by each of the two groups respectively. Joint meetings of the co-chairmen of the commissions may be planned if the need arises.

8. The Preparatory Meeting recommends that the intergovernmental functional organizations which are directly concerned with the problems considered, and which the Ministerial Conference deems to be able to make a useful contribution to their discussion, be represented on a permanent basis in the corresponding commissions by observers with the right to speak but without the right to vote, and hence not participating in the formation of a consensus. In addition to the United Nations Secretariat, the list of these organizations should include, in particular, OPEC, IEA, UNCTAD, OECD, FAO, GATT, UNIDO, UNDP, IMF and IBRD. Furthermore, each commission may invite appropriate intergovernmental functional organizations to participate as observers ad hoc in the examination of specific questions.

9. Members of the Conference wishing to follow the work of a commission to which they do not belong should be entitled to appoint a representative in the capacity of auditor without the right to speak.

10. The activities of the four commissions whose establishment is recommended by the Preparatory Meeting will proceed on the basis of the relevant paragraphs of the Aide-memoire annexed to the French Government's invitation to this Meeting, in the light of the following clarifications and interpretations:

(a) It is understood that the Commission on Energy will facilitate all arrangements which may seem advisable in the field of energy.

(b) It is understood that the Commission on Raw Materials will take into account the progress made in other international forums and will be entrusted with facilitating the establishment or reinforcement, as the case may be, of arrangements which may seem advisable in the field of raw materials - including foodstuffs - which are of particular interest to developing countries.

(c) It is understood that the Commission on Development will take into account the progress in other international forums and the results achieved, and will be entrusted with facilitating the establishment or reinforcement, as the case may be, of arrangements for accelerating the development of developing countries, on the basis of close co-operation.

(d) It is understood that the Commission on Financial Affairs may discuss financial issues, including their monetary aspects, of importance to member countries, while respecting the jurisdiction of international institutions (IMF, IBRD).

(e) It is understood that the four Commissions should function in parallel and that the results of their work are linked and should be submitted to the Ministerial Conference.

11. It is agreed that any delegation may raise any subject relevant to the themes of the dialogue for discussion in the Commissions.

12. It has been agreed in accordance with the relevant paragraphs of the above-mentioned Aide-Memoire that the Ministerial Conference will be called upon to set the general guidelines for the work of the Commissions.

13. The Preparatory Meeting recommends to the Ministerial Conference that the relevant paragraphs of the above-mentioned Aide-Memoire, as interpreted and clarified above, as well as

the above-mentioned principle that any relevant subject may be raised for discussion in the Commissions, serve as the general guidelines for the Commissions.

14. Some delegations have already tabled with this Preparatory Meeting documents proposing subjects to be discussed in the Commissions. The Preparatory Meeting recommends that the Ministerial Conference agree that these and any other proposals which may be tabled subsequently in accordance with the general guidelines be discussed in the Commissions.

15. As regards the practical measures, the Preparatory Meeting recommends that the Conference adopt English, Arabic, Spanish and French as official languages and working languages.

16. The Preparatory Meeting recommends that the Conference adopt the Rules of Procedure which it itself had adopted, and which are based, in particular, on the principle of "consensus", according to which decisions and recommendations are adopted when the Chair has established that no member delegation has made any objection.

17. The Preparatory Meeting considers that the Conference should have, an international secretariat with an exclusively administrative and technical function, the Ministerial meeting being responsible, on the basis of proposals by the two co-chairmen, for determining its organization, establishing its operational procedure and allocating the financial costs in respect of it. It is understood, however, that pending a decision on the provisions to be adopted for the continuation of the work, the French Government will assume responsibility and provide the secretariat for the Ministerial meeting scheduled for December 1975, under the conditions in which these services were provided for the Preparatory Meeting.

18. The Preparatory Meeting finally recommends that the Ministerial Conference decide to meet again at ministerial level in about twelve months' time. One or several meetings of the Conference at the level of government officials could possibly be held at least six months after the first meeting of the Conference at ministerial level.

19. In conclusion, the participants paid tribute to President Giscard d'Estaing for the initiative taken by him, thanks to which a dialogue was successfully initiated, and to the French Government for all the efforts it has made towards that end.

PREPARATORY MEETING FOR THE
CONFERENCE ON INTERNATIONAL
ECONOMIC CO-OPERATION

Doc. RP II/1/Rev. 1

Paris 13 October 1975

AIDE-MEMOIRE ATTACHED TO THE FRENCH GOVERNMENT'S LETTER
OF INVITATION DATED 15 SEPTEMBER 1975

1.1. It has been agreed that the questions to be discussed during the dialogue between industrialized countries and developing countries are energy, raw materials and the problems of development, including all related financial questions.

1.2. These questions will be dealt with on equal footing. The participants in the dialogue will in particular spare no effort to advance toward constructive solutions on each of these subjects.

2.1. A new preparatory meeting will be held in Paris at as early a date as possible, and no later than October 15, comprising the same members, at the same level and in accordance with the same rules of procedure (particularly as regards observers) as the preparatory meeting last April.

2.2. The name of this meeting will be : "Preparatory meeting for the conference between industrialized countries and developing countries" or "Preparatory meeting for the conference on international economic cooperation".

2.3. The task of the preparatory meeting will be :

- To confirm the consensus reached at the April preparatory meeting on the convening of a limited but representative conference, on the number of its participants and on the procedure for their selection.

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CONFÉRENCE SUR
LA OPÉRATION
ÉCONOMIQUE
INTERNATIONALE

CONFERENCE ON
INTERNATIONAL
ECONOMIC
CO-OPERATION

CONFERENCIA SOBRE
LA COOPERACION
ECONOMICA
INTERNACIONAL

مؤتمر
التعاون
الاقتصادي
الدولي

CCEI-CP.7
Co-Chairmen
Original: English
10 July 1976

Communiqué
of Meeting of Senior Officials
July 8 - 10, 1976

1. The Conference on International Economic Co-operation met in Paris from July 8 - 10 at the level of senior officials to review the progress of the dialogue in the four Commissions and provide guidance for their future work. Representatives of the following 27 members of the Conference took part:

Algeria, Argentina, Australia, Brazil,
Cameroon, Canada, Arab Republic of Egypt,
EEC, India, Indonesia, Iran, Iraq, Jamaica,
Japan, Mexico, Nigeria, Pakistan, Peru,
Saudi Arabia, Spain, Sweden, Switzerland,
United States, Venezuela, Yugoslavia, Zaire,
Zambia.

The Secretary General of the United Nations was represented at the meeting.

2. The Honourable Allan J. MacEachen, Secretary of State for External Affairs of Canada, and H.E. Dr. Manuel Perez Guerrero, Minister of State for International Economic Affairs of Venezuela, co-Chairmen of the Conference, presided at the meeting.

3. The senior officials agreed that the Conference on International Economic Co-operation had completed the initial phase of its work, in which analytical discussions were held on a wide range of international economic problems of concern to both developing and industrialized countries. While there was some recognition that the analytical work had contributed to a greater understanding of the problems under consideration

at the Conference, some disappointment was expressed at the lack of concrete results during the first phase of the Conference.

4. The senior officials agreed that the second phase of the Conference would be action-oriented. Therefore, the senior officials' meeting directed the Commissions to concentrate their work on formulating concrete proposals for action to be submitted to the Ministerial Conference for adoption, which would constitute a significant advance in international economic co-operation and make a substantial contribution to the economic development of the developing countries.

5. The senior officials took note of the paper presented by the Group of 19 containing an enumeration of areas of concentration for work in the second phase.

6. The senior officials mandated the Commissions to finalise their work programmes taking into account the analytical work completed during the first half of the Conference and guided by the directives to Commissions in paragraph 4, the paper presented by the Group of 19 and contributions from other participants, including those made by the co-Chairmen of the Commissions during the senior officials' meeting. The senior officials instructed the Commissions to finalise their work programmes not later than during their July session which is fixed for July 12-17. With the satisfactory completion of this task the subsequent sessions of the Commissions will be as follows:

September 13-20

October 20-27

November 16-23

These dates may be altered by Commission consensus in order to complete the work programmes which the Commissions will have set for each of their sessions.

7. The senior officials agreed that Commissions may decide by consensus, in conformity with the Rules of Procedure of the Conference, to hold joint meetings to co-ordinate their activities and allocate their work.

8. The senior officials agreed that the work of the second phase of the Conference should lead to proposals for an equitable and comprehensive programme for international economic co-operation including agreements, decisions, commitments and recommendations to be submitted for approval to the Ministerial Conference.

9. The concluding Ministerial Meeting of the Conference on International Economic Co-operation will take place in mid-December 1976. The two co-Chairmen of the Conference will decide on specific dates after appropriate consultations.

10. The senior officials reaffirmed the political will of their Governments to ensure the success of the Conference.

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ANNEX IV

Agreed work programme

CONFÉRENCE SUR
LA COOPÉRATION
ÉCONOMIQUE
INTERNATIONALE

CONFERENCE ON
INTERNATIONAL
ECONOMIC
CO-OPERATION

CONFERENCIA SOBRE
LA COOPERACION
ECONOMICA
INTERNACIONAL

مؤتمر
التعاون
الاقتصادي
الدولي

CCEI-CP-9
Presentation :
Co-Chairmen of the Conference
Original : English
11, september 1976

MINUTE OF THE CO-CHAIRMEN OF THE CONFERENCE

After consultation with the members of the Conference on International Economic Cooperation the following minute has been agreed to by the Delegation of Canada and Venezuela, as co-Chairmen of the Conference.

Pursuant to the agreement on July 17 to have the two co-Chairmen propose to the participants of the Conference a basis for proceeding, a work programme has been prepared which is acceptable to the members of the Conference and which will provide the basis for the work of the second phase of the Conference. The work programme is attached.

The two co-Chairmen understand that some of the Delegations may wish to make statements on this work programme and these statements will be circulated as Conference documents.

WORK PROGRAMME OF COMMISSIONS

The following work programme has been established particularly in furtherance of the agreements reached at the Senior Officials' Meeting in July. It does not prejudge the final results of the CIEC. Proposals may be introduced by Delegations up until October 31 for the consideration of which opportunity will be provided at an agreed time during the work of the Commissions.

COMMISSION ON ENERGY

On the basis of its analyses, the Energy Commission has assessed past and current trends in the world energy situation. The Commission has identified problems, listed below, to be dealt with on a basis of international economic cooperation.

Taking into account the economic interests, including energy interests of all countries, the Commission proposes to formulate the principles, elements and forms of such cooperation, with a view to preparing concrete proposals for approval by the Conference at the Ministerial level, the Commission will concentrate on the following matters:

I - Resource Availability, Supply and Development

- a) Availability and supply (considering technical and financial constraints on such availability and supply within a commercial sense), conservation and development of energy resources including supplies of energy to developed and developing countries, particularly those most dependant on imported energy, and access to energy markets.
- b) Forecasts of supply and demand.
- c) The problems of developing countries most dependent upon energy imports and the Most Seriously Affected and measures to alleviate them.
- d) Augmenting reserves and production capacities of conventional and non-conventional sources of energy particularly those resources that are less

depletable and more permanent and renewable, bearing in mind those resources beyond the limits of national jurisdiction.

- e) Conservation and increased efficiency of energy utilization.
- f) Accelerated development and industrialization of the developing countries including increased hydrocarbons processing in the developing countries and exports of developing countries to developed countries.
- g) Availability and development of energy infrastructure in all countries and specially in the developing countries.

II - Energy Prices and the Purchasing Power of Energy Export Earnings

- a) Competitive standing of various sources of energy including but not limited to:
 - (i) availability; (ii) depletability;
 - (iii) prices and economic costs of existing sources of energy as well as the intrinsic value of depletable energy sources; (iv) the probable prices and economic costs of new sources of energy.
- b) The Energy Commission will consider proposals for the preservation of purchasing power of energy export earnings, including accumulated revenues from oil exports, within a general framework of the improvement and preservation of the purchasing power of the export earnings of developing countries vis-à-vis among other

factors, inflation in industrialized countries, changes in prices of imported goods and services and other economic factors essential to the economic progress of developing countries.

- c) The role of energy prices together with the prices of other major economic inputs in the world economic situation including growth, inflation and investment.

III - Technical, Scientific and Financial Cooperation

International financial, scientific and technical cooperation among all countries for the development of energy resources and for the transfer of and participation in energy related technology to the developing countries including:

- a) Cooperation aimed at alleviating the special energy problems of the oil importing developing countries, particularly those most dependent on imports of energy and those Most Seriously Affected, such as:
- measures to enable them to import energy required for their economic development.
 - measures to promote the development of their indigenous energy resources and enhance the mobilization of capital and technology needed for this development.
- b) Cooperation aimed at the special concerns of the oil-exporting countries to assure supplies of energy adequate to their economic progress through:
- the diversification of their energy sources;
 - their participation in the research and development of energy technology.

c) General Cooperation:

General cooperation in the transfer and utilization of appropriate new and existing energy technologies, including assistance in energy planning and in the mobilization of international financial resources to promote the development of all conventional and non-conventional types of energy in the developing countries.

Note

Certain portions of the work on the points outlined above may be more appropriately and effectively carried out in other Commissions. The co-Chairmen of the Energy Commission will coordinate these points as necessary with the co-Chairmen of other Commissions.

COMMISSION ON RAW MATERIALS

To fulfill the directive embodied in the communiqué issued by the meeting of senior officials, that the work during the second phase of the Conference should concentrate on formulating concrete proposals for action to be submitted to the Ministerial Conference for adoption, which would constitute a significant advance in international economic cooperation and make a substantial contribution to the economic development of the developing countries; and in conformity with the provisions of the final declaration of the preparatory meeting of the CIEC endorsed by the Ministerial meeting, which provide that the RMC will take into account the progress made in other international forums and will be entrusted with facilitating the establishment or reinforcement, as the case may be, of arrangements which may seem advisable in the field of raw materials - including foodstuffs - which are of particular interest to developing countries, the RMC has decided to take fully into account the relevant decisions of UNCTAD IV and to concentrate its work during the second phase of the Conference on the undernoted list of areas, with the aim of evolving concrete proposals which, along with those of the other Commissions, should lead to proposals for an equitable and comprehensive programme for international economic cooperation including agreements, decisions, commitments and recommendations to be submitted for approval to the Ministerial Conference.

It is understood that improvement of the structures of commodity markets (in particular, action in support of

negotiations within the Integrated Programme including its Common Fund) will be a permanent subject for all forthcoming sessions of the Commission.

I - Improvement of commodity market structures

- Facilitating the negotiations referred to in paragraph supra
- Local processing and diversification
- Transport, marketing and distribution.

II - Improvement in export earnings

The Raw Materials Commission will consider proposals for improvement and preservation of the purchasing power of commodity export earnings of developing countries, taking into account inter alia movements in prices of imported manufactured goods, exchange rates, production costs, and world inflation.

- Purchasing power of developing countries
- Compensatory financing

III - Improvement in commodity trade and other questions

- Access to markets
- Conditions of supply
- Investment
- Competitiveness of natural product vis-à-vis synthetics
- Interests of importing developing countries
- Foodstuffs.

Commission on Development

I - Transfer of Resources

- Debt problems of developing countries.

CIEC is an appropriate forum for dealing with the problem of indebtedness of developing countries. It was recognized that debt problems of developing countries have both developmental and financial implications which require consideration during the second phase of the Conference with a view to facilitating agreement on concrete proposals to be submitted for approval to the Ministerial Conference.

The Commission on Financial Affairs will formulate proposals for principles or features for debt reorganization operations. The Commission on Development will consider other aspects of or proposals on indebtedness of developing countries taking into account their development needs and external payments problems, as well as proposals for measures which would contribute to the alleviation of the existing debt burden of developing countries depending largely upon aid and having serious structural financial problems. These would include in particular least developed countries, most seriously affected developing countries and other countries in need. These latter problems which may lead to difficulties in implementing their debt service constitute general problems of transfer of resources.

- Official Development Assistance.
- Other flows.

II - Food & Agriculture

- Increased agricultural production in developing countries.
- Fertilisers.
- World food security.
- Food aid.

III - Co-operation on industrialisation and Transfer of technology

A - Increase of industrial capacity and production of developing countries within the framework of changes in world industrial structures including an increasing share for developing countries in industrial production.

(i) International co-operation to promote industrialisation in developing countries, including the system of consultations.

(ii) Investment and transnational corporations.

B - Transfer of technology

(i) Measures for access to technology, including the code of conduct.

(ii) Strengthening the ability of developing countries to select, adapt, develop, and apply technology, including its institutional aspects and training as well as promotion of developing countries' exports of technology.

IV - Infrastructure

- Improvement of economic and social infrastructure in developing countries, especially transport and communications infrastructure.

V - Trade between industrialised and developing countries

- Trade in industrial and food products of interest to developing countries, supply, access to markets, MTN and related subjects included in the Tokyo Declaration, GSP

- Trade promotion

The problems of the Most Seriously Affected Countries, the Least Developed, Developing Landlocked* and Developing Island Countries will be examined under each of the relevant above headings.

* It is understood that under this heading the problems of countries experiencing similar geographical difficulties and which have been qualified as semi-landlocked may be raised.

Commission on Financial Affairs

PROGRAMME OF WORK FOR THE SECOND PHASE 1/

I - INDEBTEDNESS OF DEVELOPING COUNTRIES. 2/

CIEC is an appropriate forum for dealing with the problem of indebtedness of developing countries. It was recognized that debt problems of developing countries have both developmental and financial implications which require consideration during the second phase of the Conference with a view to facilitating agreement on concrete proposals to be submitted for approval to the Ministerial Conference.

The Commission on Financial Affairs will formulate proposals for principles or features for debt reorganization operations. The Commission on Development will consider other aspects of or proposals on indebtedness of developing countries taking into account their development needs and external payments problems, as well as proposals for measures which would contribute to the alleviation of the existing debt burden of developing countries depending largely upon aid and having serious structural financial problems. These would include in particular least developed countries, most seriously affected developing countries and other countries in need. These latter problems which may lead to difficulties in implementing their debt service constitute general problems of transfer of resources.

II - FINANCING PROBLEMS OF THE BALANCE OF PAYMENTS OF DEVELOPING COUNTRIES. 3/

A) CAPITAL FLOWS TOWARDS AND INVESTMENT IN DEVELOPING COUNTRIES.

a) Access to Capital Markets.

b) Direct Investment.

B) OFFICIAL DEVELOPMENT ASSISTANCE. 4/

III - PROBLEMS OF FINANCIAL ASSETS OF OIL EXPORTING DEVELOPING COUNTRIES INCLUDING THE TERMS AND CONDITIONS OF INVESTMENT OF THESE ASSETS.

IV - COOPERATION AMONG DEVELOPING COUNTRIES.

V - MEASURES AGAINST INFLATION.

VI - OTHER ISSUES.

- 1/ The monetary aspects of each item of the agenda will be raised in connection with the specific items, while respecting the jurisdiction of international institutions (IBRD and IMF).
 - 2/ Taking into consideration the need for coordination on this subject between the Commission on Development and the Commission on Financial Affairs.
 - 3/ Some of these issues are considered by the Commission on Development under the subject "Transfer of Resources".
 - 4/ After the discussion of this subject by the Commission on Development.
-

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CONFERENCE ON INTERNATIONAL
ECONOMIC COOPERATION

Resumé of Events

1975

April 7-15	Paris	Preparatory Meeting (Kleber I) adjourns without result
October 13-16	Paris	Preparatory Meeting (Kleber II) agrees to hold Ministerial Conference in December.
December 16-19	Paris	27-Nation Ministerial Conference agrees to "initiate an intensified dialogue" on the international economic situation and to this end establishes four Commissions (Energy, Raw Materials, Development, Finance) to meet regularly during 1976. Ministers agree to meet again "in about twelve months time".

1976

January 26-27	Paris	Meeting of Conference and Commission Co-Chairmen to prepare the work of the Commissions.
February 11-20	Paris	First Round of Commission Meetings
March 17-27	Paris	Second Round of Commission Meetings
April 21-28	Paris	Third Round of Commission Meetings
May	Nairobi	UNCTAD IV
June 8-15	Paris	Fourth Round of Commission Meetings
July 8-10	Paris	Meeting of Senior Officials to review progress in the first half of the year "agreed that CIEC had completed the initial phase of its work, in which analytical discussions were held on a wide range of international economic

problems of concern to both developing and industrialised countries. While there was some recognition that the analytical work had contributed to a greater understanding of the problems under consideration at the Conference, some disappointment was expressed at the lack of concrete results during the first phase of the Conference. The senior officials agreed that the second phase of the Conference would be action-oriented."

July 12-17	Paris	Fifth Round of Commission meetings fails to come to agreement on work programme for second half of year and work is suspended while Conference Co-Chairmen seek a solution to the impasse.
September 11-12	Paris	Co-Chairmen negotiate agreement for resumption of meetings.
September 13-20	Paris	Sixth Round of Commission meetings resumes with agreement on work programme.
September 21	New York	Opening of UNGA XXXI
October 20-27	Paris	Seventh Round of Commission Meetings
November 16-23	Paris	Eighth Round of Commission meetings is series of contact groups which attempt to find middle ground for compromise that can be recommended to Ministers in December.
December 9	Caracas and Ottawa	Conference Co-Chairmen, after consulting participants, announce there is agreement to postpone Ministerial Conference until the spring of 1977.
December 22	New York	UNGA XXXI adjourns session to resume after CIEC Ministerial Meeting.

1977

January/February		Co-Chairmen carry out consultations with respective groups.
February 7	New York	Conference Co-Chairmen meet to exchange views on group attitudes.

CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION

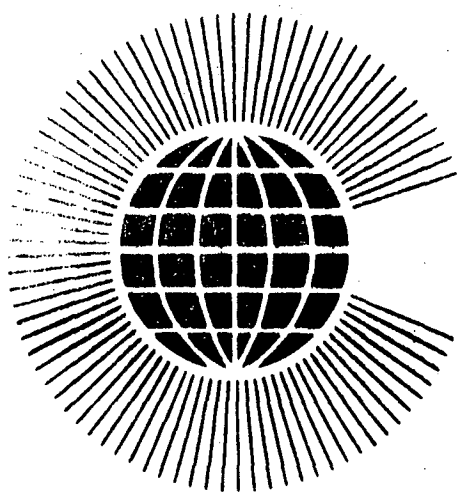
Commission Representation

<u>Participating Countries</u>	<u>Co-Chairmen</u>	<u>Energy</u>	<u>Raw Materials</u>	<u>Development</u>	<u>Financial Affairs</u>
1. Algeria	X	X		X	
2. Argentina			X	X	
3. Australia			X		
4. Brazil		X			X
5. Cameroun			X	X	
6. Canada	X	X		X	
7. EEC	XX	X	X	X	X
8. Egypt		X			X
9. India		X		X	X
10. Indonesia			X		X
11. Iran	X	X			X
12. Iraq		X			X
13. Jamaica		X		X	
14. Japan	X	X	X	X	X
15. Mexico			X		X
16. Nigeria			X	X	
17. Pakistan				X	X
18. Peru	X		X	X	
19. Saudi Arabia	X	X			X
20. Spain			X		
21. Sweden				X	X
22. Switzerland		X			X
23. United States	X	X	X	X	X
24. Venezuela	X	X	X		
25. Yugoslavia			X	X	
26. Zaire		X	X	X	
27. Zambia			X		X

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**TOWARDS
A NEW
INTERNATIONAL
ECONOMIC
ORDER**

First Report of Commonwealth
Experts on the New International
Economic Order



Report by a
Commonwealth
Expert Group

Ottawa, Canada
July 1975

Government Conference Centre,
Ottawa,
Canada.

23 July 1975.

H.E. Mr. S.S. Ramphal,
Commonwealth Secretary-General,
Marlborough House,
Pall Mall,
London S.W. 1.

Dear Secretary-General:

We have the honour to transmit herewith our Interim Report on a comprehensive and inter-related programme of practical measures directed at closing the gap between the rich and the poor countries, as requested on 6 May 1975 by the Commonwealth Heads of Government meeting at Kingston.

As instructed, we have in this Interim Report directed our attention to those measures which in our view are amenable to early and effective implementation. However, in the limited time available to us we were not able to consider in as much depth as we should have wished certain problems which are both important and urgent. Nonetheless we hope that Commonwealth ministers will find in our Report analyses, concepts, arguments and conclusions which will help them when they come to consider collectively the right path to follow.

The members of the Group in signing the Report do so in their personal capacities, and not as representatives of their governments and countries. They have subscribed to the

broad consensus it represents. It should surprise no-one that, in order to reach a consensus on such a broad range of crucial and complex issues, differences of opinion had to be accomodated.

We are grateful for having been appointed to serve on this Group and for the guidance you gave us when we began the second stage of our work. For all of us the preparation of this Interim Report has been both an exciting and an educational task.

Please accept, Secretary-General, the expression of our highest consideration.

A. D. Brown

Alik M. G.

M. M. Khan

Accepted

L. L.

L. L. Shorrock

Donald Maitland

E. M. S.

W. J. S.

W. J. S.

TOWARDS A NEW INTERNATIONAL ECONOMIC ORDER

Report by a Commonwealth Expert Group

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TOWARDS A NEW INTERNATIONAL ECONOMIC ORDER

Report by a Commonwealth Expert Group

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SUMMARY OF REPORT

1. There are several dimensions to the gap in the standard of living between rich and poor nations and radical and fundamental changes in international economic relationships and patterns of production and consumption in developed countries would be needed to close it. This process can be achieved in the very long run. The Group has confined itself to indicating a programme of measures which would at least arrest decline in the standards of living in the poorest developing countries and accelerate the rates of growth in the rest of the developing world.
2. The overriding need is to secure for all people acceptable standards of nutrition, clothing, shelter, public health and medical care, and education. This is the minimum tolerable standard of existence.
3. The Group has drawn up basic guidelines which should govern trade in commodities. We regard the integrated commodities programme of the UNCTAD as a major sustained and comprehensive attack on the commodity problem. We urge the adoption of a programme along these lines and that the necessary consultations be concluded before UNCTAD IV in 1976.
4. We believe that indexation is an important element in commodity agreements; that positive characteristics of producer associations should be acknowledged and encouraged; and that, while technological progress in the field of synthetics is not to be halted, it would be appropriate to consider measures which would protect the interests of the primary producing countries and improve their competitive strength vis-à-vis synthetics. We draw attention to the need for maintaining a high level of investment in non-renewable resources. In examining the form that commodity arrangements might take we consider that at an appropriate stage a general agreement on commodities could be of value.
5. We encourage developing countries to intensify their participation in the GATT multilateral trade negotiations and recommend that special consideration should be given to aspects affecting the ability of the developing countries to realise the full benefits of trade liberalization. We recommend the examination and modification of the rules of origin. We urge that the developed countries should not wait until the MTNs are concluded to introduce concessions beneficial to developing countries.
6. We call for improvement of the generalized system of preferences (GSP) and urge OECD countries to widen the coverage and deepen their tariff cuts. We urge developed countries to undertake adjustment measures linked specifically to the promotion of imports from developing countries.
7. We encourage increasing cooperation among developing countries and emphasize the integrated development of key sectors. Developing countries should make greater efforts to identify projects. Cooperation at sub-regional and inter-regional levels, e.g. in trade, industry and transport, should be encouraged. Financial and technical support from the developed countries in this area should be increased.
8. We endorse and urge the speedy implementation of the recommendations and conclusions of the World Food Conference and the Commonwealth Ministers' meeting in March 1975. Food production and rural development should be given

the highest priority. This is especially important in vulnerable areas, e.g. the Sahel and Bangladesh. Donor countries should help developing countries to secure their needs of fertilizers and to develop their own production. Fishing industries should be given greater attention. More donor countries should pledge support for the International Fund for Agricultural Development.

9. The World Bank and other lenders should be urged to participate in programmes for rural modernisation in an innovative and pragmatic way including a considerable extension of the financing of local costs of rural development programmes. We look for the speedy achievement of the food aid target of 10 million tons annually and urge that grain stocks be established in developing countries susceptible to hardship in times of shortage.

10. We consider the accelerated development of manufacturing activities a central part of a new economic order. New patterns of international relationships in the field of industrial development are called for. The special needs of the poorer countries who will benefit less from industrial cooperation should be acknowledged. While we were unable to examine in depth the role of transnational corporations in developing countries, the international community should intensify its efforts to find solutions in this field which would avoid the mistakes of the past. We suggest that guidelines might be drawn up for bilateral industrial cooperation between developed and developing countries. This could lead to specific bilateral arrangements.

11. If the transfer of technology is to be effective it should be not only a continuing process but more concentrated on the needs of the developing countries and integrated into their internal structures so as to become self-generating. We most strongly recommend the establishment of indigenous centres of research and development. We see a strengthened role for UNIDO in the field of industrial cooperation.

12. We view with concern the inadequacy of the transfer of resources from the developed to the developing countries and the limited results which this has yielded so far. We are discouraged by the stagnation in the flow of official development assistance in recent years. We think that a marked increase in the transfer of resources will be needed in order merely to sustain a minimum momentum of development in much of the world and even to maintain conditions of life in many of the poorest countries. We set out particular areas for which a major increase in the transfer of resources is needed.

13. We urge that all developed countries regardless of their economic and social system and particularly those with per capita GNP of over \$2,000 should without any further delay implement the United Nations target of 0.7 per cent. We believe that the pressing needs of developing countries require an ODA effort equivalent of at least 1 per cent of GNP by 1980. We endorse the terms target adopted by the DAC i.e. the average grant element of at least 84 per cent. We hope that the terms of assistance particularly for the poorer countries, would be such that the period of repayment would be at least 40 to 50 years with a grace period of at least 10 years and a maximum rate of interest not exceeding 1 per cent and that the terms for the least developed countries should be even more concessionary. We recommend

that the balance for the transfer of resources should be shifted increasingly in favour of the poorest countries.

14. We consider that developing countries should have priority call on Special Drawing Rights (SDRs) through some form of "Link" mechanism. We invite the World Bank and other organizations to reconsider the feasibility of drawing up guidelines for the rescheduling of debt for countries suffering from serious and intractable debt servicing problems. These should establish a presumption in favour of automatic rescheduling and relief from external debt of particular developing countries and also should include the writing-off of certain loans, as well as the conversion of existing loans into out-right grants to the most seriously affected countries. We support proposals for interest subsidy schemes for increasing the flow of resources to the developing countries on intermediate terms. We also support the use of gold holdings by the IMF for increasing the flow of resources to the poor countries.

15. We were unable to examine in depth measures to enable developing countries to participate more fully in invisible trade but have put forward preliminary suggestions in the field of shipping.

16. Similarly in the time available we have been unable to examine the question of international institutions in depth, but recommend that Commonwealth Finance Ministers should at the next meeting of their Boards of Governors take up the question of securing changes in the voting rights and managerial structures of the IERD and the IMF so as to give the developing countries greater participation in the decision-making in these institutions.

INTRODUCTION

We were appointed by the Commonwealth Heads of Government to draw up "in the context of the current international dialogue, a comprehensive and inter-related programme of practical measures directed at closing the gap between the rich and the poor countries". Our detailed terms of reference are set out in Annex I of this Report.

2. In accordance with the general framework of our terms of reference, we have seen our task essentially as one of identifying a coordinated programme of measures which could provide a basis for implementation of a new international economic order. As requested by the Heads of Government, we took as one of our starting points the Declaration and the Programme of Action on the establishment of a New International Economic Order as adopted by the United Nations General Assembly. In this context, we have worked with the central assumption that the effective implementation of a new order would require international cooperation and effort on an unprecedented scale, both in quantitative and qualitative terms.

3. Our own analysis of the development prospects and needs of the poor countries indicates the necessity for fundamental changes in the world economy, involving a progressive re-distribution of economic activity in favour of the developing countries. This will demand bold and complementary action on several fronts to accelerate and deepen the processes of agricultural and industrial development in the developing countries. It will also require a substantially different structure of international economic relations than has been in existence up to now.

4. It is clear, therefore, that it is nothing short of wishful thinking to suppose that solutions to global poverty could be found in case-by-case adjustments of an essentially marginal character. In coming to terms with the tasks with which it is confronted in this field, the international community has to demonstrate a new resolve for urgent and imaginative action.

5. We have ourselves sought to impart a sense of urgency in our own recommendations. We recognise that the complexities arising in many areas will call for continuing study of alternative solutions. Nonetheless, it is our view that action and further study should go hand in hand, so that valuable time is not lost in achieving concrete progress. In our opinion it is far less dangerous to err on the side of experimentation than to make such a virtue of perfection that it results in deleterious delay and inaction.

6. The World Food Conference is a good example. Its short-term emergency recommendations call for 10 million tons of grain to be contributed annually by the wealthy grain producers of the world for food aid. Its institutional proposals envisage a World Food Council, a Consultative Group for Food Production and Investment and an International Fund for Agricultural Development. Immediate action is needed so that the implementation of its short-term objective could itself lead to long-term institutional development drawing on the collective responsibility of the whole world. Seen this way, a continuous process is established, with each stage defined and achieved and new objectives unfolding themselves on the horizon, on the basic premise that all and not only some have a stake in a stable future in which human life is meaningful to all.

7. In this connection we wish to draw attention to the need for the international community to adopt more appropriate norms as to what constitutes early action. Up to now there has been a tendency to regard a period of say two to three years spent in consultations and negotiations as reasonably prompt action. Our feeling is that the urgency of the present situation demands new deadlines for speeding up decision-making on questions of international development. This assumption underlies the time frames which are indicated throughout the Report.

8. It has been no easy task digesting the massive documentation which now exists on the subject of a new international economic order and on its component parts. We have been greatly assisted by the staff of the Commonwealth Secretariat who worked at relatively short notice on summarising some of the material in a series of papers. We also owe a special debt of gratitude to our consultants who submitted concise analyses on key aspects of the question, and to those others who made oral presentations at our meetings. Special thanks are also due to the staff of the Secretariat who assisted with the drafting of this Report. In particular, we wish to pay tribute to Mr. Philip Hayes, the Director of the Trade and Finance Division of the Secretariat, who served us admirably as Secretary to the Group. The office staff both from Canada and elsewhere who worked assiduously on typing and reproducing many drafts also deserve acknowledgment and thanks.

9. We must also express our gratitude to the Government of Canada for the facilities which they provided for our work here in Ottawa and to our individual employers for releasing us for this period.

SECTION 1

THE ALLEVIATION OF POVERTY

Nature of the problem

10. The terms of reference of the Group require us to consider the gap between the rich and the poor nations and to suggest measures for closing it. There are several dimensions of the gap which exists between the rich and the poor countries, and comparisons of per capita income are at best a rather crude indicator of the differences. Yet these figures are telling enough. Of the roughly 4,000 million people of the world, 1,200 million live in countries where per capita GNP is conventionally estimated at less than \$200 a year - 2,000 million if the People's Republic of China is included in this group. At the other extreme, a minority of around 600 million live in countries with per capita GNP ranging from \$2,000 to \$5,600. Another 1,200 million people live in countries where the per capita GNP levels range between \$200 and \$2,000.^{1/}

11. The gap in terms of living standards, wealth, technology, and socio-economic infrastructure between the rich and the poor countries is extremely wide. Given a gap of such enormous proportions in income levels and in productive capacities, a comprehensive programme directed towards closing the gap would involve measures of unprecedented nature and scope which could only be sustained by a radical, even revolutionary, change within the developed economies and in the structure of international economic relations, as well as in the developing countries. Even if the objective of closing the gap is not formulated in terms of an equality in levels of income, it would involve wide acceptance of the concept of ceilings on growth and consumption in the rich countries and their implementation through changes in socio-economic objectives and ways of life, and radical changes in patterns of consumption and production structures within the developed countries. At the same time, it would involve the establishment of universally accepted minimum standards of living in the majority of the developing nations. Furthermore, this would involve in many cases an international redistribution of assets as well as direct transfers of income between rich and poor nations. The experience of the developed countries in narrowing the gap between the rich and the poor within their own economies illustrates the nature and magnitude of the problem under discussion.

12. It is obvious, therefore, that an objective of closing the gap between nations, even if it is attainable, could only be achieved in the very long run. The achievement of such an objective would indeed represent the fulfilment of the aspirations and the ideals of a truly international community firmly bound together by a sense of solidarity, cohesion and close interdependence. However, our terms of reference require us to suggest practical measures for early implementation. We have therefore devoted our attention to the immediate objective, i.e. minimum measures which must be adopted on an international level to alleviate the conditions of poverty - indeed crushing poverty - in which the majority of the developing world live. The Group hopes that the efficient implementation of the suggested measures would at least arrest, and

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^{1/} Figures for 1972 at the prices and exchange rates of that year, taken from World Bank Atlas, 1974.

we would hope reverse, declines in standards of living in the poorest developing countries and the poorest sections within their economies, and accelerate the rate of growth and expansion of employment in the rest of the developing world.

13. Starvation, malnutrition, disease and generally wretched conditions of life are the daily lot or a constant risk for millions of people in the poor countries. These deprivations, coupled with illiteracy and limited access to formal education, are not only symptoms of poverty and underdevelopment, but by stunting physical and mental development and weakening productive capacity and enterprise, they are also a cause of the perpetuation of poverty.

14. We have already pointed out that developing countries suffer from acute shortages of productive capacity and infrastructure, coupled with limited managerial skills and capacity to adapt technology to local circumstances and to devise and apply new technologies. The affluent, industrialized countries, on the other hand, have amassed a huge capital stock and extensive productive organization, which continue to grow. The problems which arise for developed countries are only temporary setbacks in the trend of ever-increasing economic possibilities. Because of limitations in productive capacity the poorer countries have no such resilience, and no such assured hope of progressively increasing capacity to tackle and overcome their difficulties. It is little wonder that leaders in the developing countries feel a mounting sense of frustration when they contrast their problems at home with the plainly visible, continuing increase in the economic power and technological capacity of the advanced, industrialized countries.

15. When the international community began systematic work on problems of global development over two and a half decades ago, it was assumed that the solution lay in a comparatively narrow range of measures of capital and technical assistance. It is clear that this approach did not measure up to the complexity of the task. Nevertheless, one should not ignore the economic growth which has occurred in developing countries since the war. Many developing countries have achieved increases over the post-war years in real GNP per capita, helped by their own savings and hard work, expanding world trade, transfers of technology, and net capital inflows. However, too many countries, particularly those in the lowest income group, have either stagnated or advanced very little, and then on too narrow a front.

16. A disturbing feature of the development process in many countries has been the failure to achieve more substantial progress with the reduction of unemployment and extreme poverty in both the rural and urban areas. Moreover, agricultural development and improvements in transport and the distribution system have not yet been sufficient to protect millions of people from the recurrent risk of starvation.

17. In the more immediate context, high prices of petroleum, food, fertilizers, capital equipment and other manufactured goods imported by developing countries, coupled with the collapse of prices and demand for most primary products as a result of economic recession in the industrial countries, have added the threat to many of the poorest countries of totally inadequate

capacity to import the goods and services needed to sustain conditions of life and the momentum to development.

Objectives of change

18. We have already observed that the magnitude and nature of poverty in the developing countries are intolerable, are not in the interests of a stable and expanding world economy, and give rise to increasingly dangerous tensions. It is now generally accepted that all nations should derive fair benefits from the earth's resources and from the products of man's ingenuity, and that the basic needs of all men should be satisfied. It is now common ground that economic activity is a means, not an end in itself, and that it must be made consistent with the other needs of mankind and with the dignity of the human being.

19. It should not be assumed that developing countries would wish to conform uniformly or closely to the economic and social patterns which now obtain in industrial societies. In spite of the pervasive nature of international culture contact, we expect that each developing country will wish to follow its own path, conditioned by its own circumstances and aspirations. It is our hope that the lessons of experience will help the developing countries to avoid some of the strains, social costs and inequities which the developed countries have encountered in the course of their development.

20. We welcome and endorse the increased emphasis at the national and international level on the need to achieve minimum decent living standards for all countries and individuals. In our view the overriding objective of global development should be to secure for all the people of the world acceptable levels of nutrition, clothing, shelter, public health and medical care, and education. Such a policy is necessary not only to bring all mankind up to tolerable minimum standards of existence, but also to lay the foundations for effective self-help and sustained improvement in the conditions of life. The magnitude of the task is illustrated by the fact that in South Asia alone half of the population is below a stringently drawn poverty line - 360 million people in absolute poverty in this one area.

A shift in the distribution of economic activity

21. It has previously been mentioned that a new and more equitable economic order must depend on progressive and radical change in the distribution of economic activity throughout the globe, so that the developing world no longer finds itself cast predominantly as a supplier of raw materials and a reservoir of cheap labour for the industrialized countries, while remaining highly dependent on the developed countries for a major part of its capital equipment, other manufactured goods and productive technology. A new economic order must be founded on arrangements providing genuine equality of opportunity between states, and bring new relationships of inter-dependence in place of the older patterns of dominance and dependence.

22. The desired relative shift in the distribution of economic activity should bring into play a dynamic concept of comparative advantage. In shaping the international economic policy, there is a need to judge considerations of

efficiency in relation to the desired distribution of the benefits of economic and social change. The process will call for an acceleration of structural change in the developed as in the developing countries. It will also require changes of institutional structure. These changes will be most readily achieved in the setting of a dynamic world economy, to which they will contribute. In this setting, the necessary process of structural change will bring benefits for all.

Transformation in the developing countries

23. A new economic order must be designed to encourage the development of individual and collective efforts of self-reliance by developing countries. It is increasingly recognised that true development cannot be imposed from above, but must be generated from the grass roots of these societies through popular participation and self-help. The role of the international framework must be to create the conditions and provide the support within which self-reliance can flourish.

24. Creation of a new dynamic of development in the developing countries, and the improvement as a matter of priority of the conditions of life of their most deprived people, will depend on sustained national efforts in a framework of soundly conceived policies. It depends on continuous efforts in mobilizing national resources - human as well as material - and in making efficient use of available resources, both internal and external. Economic and social transformation is a complex process, calling for prolonged national self-discipline and sensible ordering of priorities. There are no simple solutions.

25. While the pattern of development will vary from one country to another, according to a wide variety of factors which include the endowment of natural resources, geographical location and the skills and aptitudes of the people, in most countries progress will depend on an appropriate balance being achieved between developments in the agricultural, industrial and service sectors.

26. We endorse the emphasis given by the international community, notably at the recent World Food Conference, to increasing food production and accelerating rural development. More and better food is needed to overcome the threat of starvation and to improve nutrition. Accelerated rural development is needed to improve the conditions of life of the millions who live in the countryside and to check the excessive migration to the cities, with its attendant problems.

27. At the same time, development of agriculture has to be placed in a setting of economic advance on a broader front. As countries develop, the growth of demand is more and more directed towards manufactured goods and the services on which modernized agriculture and industry depend. Furthermore, trade in manufactured goods is the fastest growing sector of international merchandise trade. While quantitative projections of export earnings of developing countries differ, all of them agree in showing that a major part of the increase of export earnings of developing countries as a group will have to come from exports of manufactures.

28. Over the past twenty years, the demand for many of the primary commodities exported by developing countries, and particularly for most agricultural commodities, has grown slowly, and has been further limited by the remaining measures of protection, serious for some commodities, and by the development of synthetic substitutes in the industrialized countries. This has limited the growth of export earnings, and hence the development potential, of many of the developing countries which are not yet able to diversify at all rapidly into non-primary activities. Accelerated development in many of these countries will continue for some considerable time to depend on buoyant export markets for primary commodities, liberalization of market access where this is limited at present, other improvements in trading conditions, and measures to accelerate development of processing of primary commodities in their countries of origin. Accordingly, these questions are considered in detail later in this Report. We also pay considerable attention to the development of manufacturing and related questions of transfer of technology, in line with the importance already assigned to increasing exports of manufactured goods.

29. Narrowing the gap will also depend on acceleration of both capital formation and technological change in the developing countries. We believe that a new international economic order will be meaningful only if the global process of capital formation begins to favour the poor developing countries. There is a pressing need to establish built-in processes and international mechanisms to bring about a more rapid accumulation of capital - including human skills and organization - within the poor societies relative both to the hitherto distressingly slow historical process in these countries and to the hitherto relentlessly speedier process of capital formation and technological advance within the already wealthy societies.

30. At the heart of the development process in both agriculture and industry is the diffusion and assimilation of productive technology and methods of organization adapted to the particular circumstances and needs of each country. To close the technological gap, in many respects the most basic of the many gaps which separate the poor from the rich countries, the developing countries need not only to adapt technologies and methods derived from the world outside but to build up their own capacities in research and innovation. This is of fundamental importance not only because the social and economic objectives of developing countries may differ from those of the industrialized countries which have hitherto been the main centres of innovation, but also because the different resource and factor endowments of developing countries demand different methods - for example, more labour-intensive technologies. Beyond research and development is the task of management, again to be developed within an indigenous framework, involving the assimilation of capital equipment, technical know-how and principles of organization into operative structures.

External conditions for development

31. The actions and policies within developing countries required for development will only be fully effective, and often will only be at all possible, if supported by the necessary external conditions and cooperation.

An effective transfer of technology on suitable terms and conditions can be of great benefit to developing countries. They need full access to buoyant markets for their exports, so as to be able to import adequate and increasing amounts of the goods and services which they need to complement those they can produce for themselves. At the same time, even with the changes in the regime of international trade which we examine and endorse in this Report, we consider that many developing countries will continue to need more resources from the outside world than they will be able to pay for from their commercial earnings, and hence to need continuing large net capital inflows, much of them on concessionary terms.

32. Just as the processes of development are complex and inter-related so they depend on a wide range of inter-related external conditions and support. The evident inter-relationships between fields such as say commodities, industrialization, the transfer of technology and development assistance for example serve to indicate the value of working out coordinated and consistent programmes of action in these fields. Moreover, international development policy must take into account the differing needs of particular developing countries in terms of their resource endowments and levels of development. If adequate provision is to be made for a new era of progress throughout the developing world, then a whole array of measures and instruments will have to be employed to take care of the varying needs and circumstances that have to be accommodated.

33. Limitations of time and readily available information prevented us from giving as full consideration to some topics as was given to others. This has led to some unevenness in the presentation. Where the treatment of a subject has been essentially tentative in nature we have sought wherever possible to provide indications regarding some of the directions in which immediate progress can be made and to suggest how further work in these fields can be advanced.

SECTION 2

COMMODITY ARRANGEMENTS

The role of trade

34. As already observed, the principal purpose of a new international economic order is to create an interdependent world economy in which all nations enjoy equality of opportunity in taking advantage of the benefits that can flow from the exchange of goods and services and the international movement of capital. It follows from this that trade has a central role to play in securing those progressive improvements in the international distribution of income that would be required for closing the gap in wealth and productive capacity between the rich and the poor countries. Indeed the whole purpose of concerted international action is to reach a point in time when all other measures will have comprehensively yielded results in favour of a just and dynamic balanced international trade relationship. This will be achieved through a process by which more and more developing countries acquire the necessary breadth and depth of productive capacity as part of a just division of international productive effort generating their own self-sustaining growth.

35. If trade is to serve as a genuine engine of growth for the developing world, bold steps are needed to correct those deficiencies in present trading arrangements which, in many cases constrain, in others frustrate, the efforts of developing countries to achieve desired increases in their export earnings. Comprehensive action is called for with regard to trade in both primary products and manufactured goods. We begin by considering primary commodities.

The approach to commodity policy

36. Dissatisfaction with the operation of markets for primary products is long standing, and the conviction is widespread that urgent attention should be given to improvement of the organization of these markets. Many countries, both exporters and importers of commodities from their separate standpoints, regard isolated commodity arrangements as an unsatisfactory solution and favour a more comprehensive and concerted approach to the problems of commodity trade. The present situation is characterised by the continuing steep price increases for manufactured goods, weak markets for many primary commodities and a consequent sharp decline in the terms of trade of many developing countries. Low prices for

primary products also discourage investment and output and eventually lead to shortages and high prices. The need for immediate action is clear.

37. In recognition of the seriousness of the situation, Heads of Government requested us to consider various proposals, "...with particular reference to the integrated commodities programme recommended by the Secretary General of UNCTAD, current proposals of buffer stocks, for indexation, and other relevant proposals, including the proposal for a general agreement on commodities".¹

General guidelines

38. As a basis for evaluating the proposals in this field we began by establishing some general guidelines which could be applied in working out a detailed policy. These are:

- i. The principal purpose of commodity policy should be to introduce a new dynamic relationship between developing primary producing and industrialised countries with a view to securing a progressive increase in the real export earnings of the developing countries which would among other things allow for the establishment of acceptable standards of living for producers.
- ii. While market forces are an important factor in the determination of international prices for primary products, the absence of fully competitive markets for many of these products has tended to work against the interests of primary producers. Suppliers of manufactures and capital goods tend to be price-makers rather than price-takers. For this and other reasons, the establishment of satisfactory relationships between the prices of primary products and manufactures will require adoption through appropriate commodity arrangements of a more general system of negotiated prices for primary products.
- iii. Other objectives of commodity arrangements should include the protection of exporters against major short-term fluctuations of earnings and importers against major short-term fluctuations of prices. They should also ensure adequacy of supplies in both the short and the long-term.
- iv. It should be the aim to establish commodity prices which take full account of the interests of both producers and

¹ Cf. Annex I, paragraph 4(1)

consumers. Commodity prices should clearly be remunerative to producers. The concept of a remunerative price should take into account a complex of factors including variations in the money and non-monetary costs of production between individual sources of supply; and allowance for a reasonable rate of return to the producer and to the national economy as a whole.

- v. An element in determining the remunerative price should be its purchasing power in relation to imported goods and services, including those of imported inputs used in the production of the primary products concerned. At the very least, commodity arrangements should provide for adjustments in commodity prices which would bear some accepted relationship to changes taking place in the prices of imported goods.
- vi. Producing and consuming countries should cooperate in appropriate cases to introduce measures which would ensure that a more satisfactory share in the total value added and employment generated from the extracting to the final product stages accrues to developing countries. In this connection, one important step would be the accelerated development of processing facilities in developing countries and the provision of improved market access for exports of these processed products particularly in the developed countries.
- vii. Joint efforts are called for between developed and developing countries to promote where appropriate an expansion in demand for, and wider consumer acceptance of, primary and processed products from developing countries. These should include suitable arrangements for promotion, research designed to improve quality and regularity of supplies, and research into new uses for primary commodities.
- viii. In cases where difficulties might be experienced in reversing any downward trends in demand for particular products, the developing countries so affected should be assisted by the international community to diversify their economies.

The UNCTAD programme

39. UNCTAD has put forward proposals for an integrated programme

that involve common approaches and joint action in respect of a number of commodities. It envisages separate arrangements for individual commodities, taking account of their distinctive features, and a common framework the focus of which would be a central financing facility.

40. The main elements of the programme are: (a) the establishment of international buffer-stocks for a number of commodities; (b) the creation of a common fund to finance these stocks; (c) the setting up of multilateral supply and purchase commitments by Governments of producing and importing countries; (d) the encouragement of improved compensatory financing arrangements for residual fluctuations in prices and earnings, and also for shortfalls in earnings from commodities not taken care of by buffer-stock or other commodity arrangements; and (e) the implementation of measures to encourage processing in producing countries and the diversification of production.

41. We regard the proposed common fund as the most important element in the programme, and its establishment as essential if an integrated plan for commodities is to make a major impact. Financing is crucial in the setting up of effective buffer-stock schemes; and on the expectation that stock accumulation would be taking place for some commodities while other stocks are being released, a common fund could result in a considerable saving in financial requirements. These requirements would not all represent additional financial resources since the setting up of buffer-stocks would reduce the need for other stockholdings.

42. We believe that a common fund could act as a catalyst for the establishment of new agreements and its capital resources would give a new impetus to the setting up of commodity arrangements.

43. We see the integrated programme recommended by the Secretary General of UNCTAD as a major sustained and comprehensive attack on the commodity problem, and urge the acceptance and implementation by the international community of a programme on these lines. We recognize, however, that it will be necessary to consult with the appropriate authorities regarding the financing of the common fund, as well as with exporting and importing countries on individual commodity arrangements. We therefore urge that the Secretary General of UNCTAD undertake the necessary consultation with a view to completing all preparatory work as soon as possible and submitting a final plan for approval not later than the Fourth Session of UNCTAD.

44. Clearly, a wide measure of international co-operation and

effort would be needed in setting up the common fund, and importers as well as exporters should contribute to its capital. There is increasing recognition of the gains to importing countries from stabilization - in preventing the exacerbation of price fluctuations, assuring supplies, facilitating efficient production and encouraging orderly world economic progress. Petroleum-exporting countries might also wish to contribute to the fund in view of both its investment possibilities and the opportunity it provides for a significant contribution to international economic co-operation. Assistance from the international financial institutions would be crucial in helping to bring about international acceptance and early establishment of the common fund. We note that the IBRD has been considering buffer-stock financing, and that the IMF has been re-examining its buffer stock facility. We urge both of these institutions to conclude their examination of these matters urgently, with a view to providing loans direct to the fund.

45. The existence of buffer-stock schemes, multilateral commitments and other commodity arrangements would still leave a large role for compensatory financing. In commodity arrangements the emphasis is usually on price stabilization, but there can still be fluctuations in the earnings from products covered by these schemes, resulting from ineffective price stabilization, crop failures or other unexpected supply problems. For residual export shortfalls after commodity arrangements have had their effect, compensatory financing might be the only practical mechanism for supporting earnings. Such schemes therefore, have a very important complementary role especially for poorer countries whose exports might not be amenable to other commodity arrangements. We therefore strongly recommend that compensatory financing should become a long-term established arrangement in international economic relationships, capable of meeting the needs of the developing countries concerned in terms of both the timing and the magnitude of damage incurred.

46. The only schemes in existence at present are the EEC Export Earnings Stabilization Scheme (Stabex) and the IMF Compensatory Financing Facility. The former has only recently been adopted, and is limited in scope both in terms of country coverage and the extent of support it will provide.

47. The Stabex scheme cannot yet be evaluated in terms of its practical operation. Some shortcomings of the scheme are the use of only past earnings to determine the target level which is to be supported and the commodity-by-commodity approach. The use of past earnings in a long reference period has the great disadvantage that, in a period of high inflation, the target level

becomes unrealistically low and out of line with the current trend of earnings.

48. Improvements to the IMF scheme have been under consideration for some time. Accelerated efforts are required to bring about a broader, more liberal and more effective scheme. We welcome the attention being given to this matter by the Interim Committee, and the Board of Governors should be called upon at their next meeting in September to give this matter priority attention.

49. We believe there is considerable scope for improving the IMF scheme based upon concepts developed in other proposals and schemes, including Stabex. In particular we believe the following concepts should be incorporated in an improved IMF arrangement: giving the least developed countries special terms, which could include the provision of interest-free loans; relating the upper limits on transfers to the size of short-falls based upon target increases in export earnings rather than to quotas alone; allowing longer periods for repayments, which should be based on the recovery of export earnings.

50. Stabilization measures to maintain real earnings can be frustrated by world-wide inflation which leads to increases in import prices and deterioration in the terms of trade. Comprehensive short-term lending facilities by multilateral institutions are one of the mechanisms that can be introduced for dealing with this problem; and we hope that the IMF will give urgent attention to this possibility. The establishment of the Extended Fund Facility for structural imbalances is a useful addition in view of the longer repayment terms; but we feel that instead of the creation of new and separate facilities, there would be considerable advantage in establishing a larger and consolidated facility which could satisfy the needs for both short- and medium-term finance.

51. Our proposals regarding compensatory financing do not entirely dispose of the foreign exchange problems of the poorer developing countries. For these countries, aid measures on concessionary terms are also required. A comprehensive and integrated programme for commodities should include action along these lines to cater for their special problems.

52. The terms of trade of those developing countries which are net importers of commodities covered by the commodity arrangements could be adversely affected in so far as the arrangements raised the average price of the imports of these commodities. This could be particularly disadvantageous for those least developed, land-locked, and island developing states with limited natural resources. Special consideration

should be given to cases where such adverse effects arise, and appropriate facilities built into any integrated programme for commodities. Such facilities should be of a systematic and predictable nature: they might take the form of compensatory financing, the granting of rebates, or, in appropriate cases, concessionary sales from buffer stocks.

Indexation

53. Indexation should be one of the important elements in commodity arrangements and in regular price reviews under such arrangements. By indexation we mean measures designed to maintain the purchasing power of the prices received by developing countries for their exports in relation to the cost of the products they import. These measures should be seen as an important element in any package of policies to assure remunerative prices to producers (cf. paragraph 38(iv) and (v) above) and steady supplies to consumers.

54. Indexation is not designed to raise prices in real terms, but to maintain their purchasing power so that the benefits of a rising volume of exports will not be eroded. It could have particular importance during a period of high inflation, when relative prices of exports and imports of developing countries could diverge substantially without changes in underlying factors such as productivity.

55. There are obvious technical problems in the use of indexation, and these will have to be studied in the context of particular commodity arrangements. These technical problems should not, however, be over-emphasised. While the importance of allowing market forces to operate is fully recognized, indexation has to be seen as one of a number of measures designed to assist stabilization and to allow adjustments for the imperfections and sluggishness of market forces. In this light, indexation can be regarded as helping to improve the operation of market forces, to ensure adequate long term supplies and to bring about the appropriate balance between long-term supply and demand.

56. A price regulation mechanism must take into account long-term trends in demand and supply and the operation of such mechanisms would have to be frequently reviewed if over-supply and the encouragement of inefficient production were to be avoided. Price regulation must take into account the interests of consumers in the short run and also in the long run, through the orderly development of production and the assurance of supplies. The participation of exporting and importing countries in commodity arrangements would help to ensure that the interests of both producers and consumers are taken into account.

Producers' associations

57. We accept that the emergence of producers' associations is a reality borne of historical experience. In an unequal world it is understandable that such a development should take place. It has its historical counterpart in the evolution of trade unions in the industrialised world, through which originally unorganised poor workers were able to achieve an effective countervailing power.

58. We believe that the positive characteristics of producers' associations should be acknowledged and indeed encouraged, particularly in undertaking research and development; in evolving new methods of production and utilization of a commodity; in providing a forum for the exchange of economic, statistical and technical information between member countries, and in enabling balanced negotiations to take place between the owners of the resources and the multinationals wishing to acquire them. Furthermore, for commodities which are a vital part of the foreign exchange earnings of one or a few countries, but not significant in the total costs of any country's imports, producers' associations can be specially valuable. Wherever possible, such associations should be seen as a prelude to, and a necessary part of, negotiations leading to long-term co-operation between producers and consumers.

Synthetics

59. Exports of certain primary products from developing countries, e.g. fibres, natural rubber and leather, have been adversely affected by competition from synthetic substitutes. In many cases the preference for synthetics is the result of a desire of importers to have control over the supplies of essential inputs. The wide fluctuations in prices of primary commodities is a further factor.

60. In the coming decade or two, many developing countries will also be undertaking large new investments in the production of synthetics, particularly those based on oil and gas. While it is neither desirable nor feasible to retard or halt technological progress in the field of synthetics, it would be appropriate, in the context of the new international economic order, to consider measures which would protect the interests of primary-producing countries. In addition to the measures proposed by us for the stabilization of prices of primary products, supplementary measures are urgently needed to improve the competitive position of natural products vis-a-vis synthetics. The principal areas of action which need urgent consideration and action are:

- i. Research and development to improve the performance and extend the range of end uses of the natural products. For this purpose, substantial financial and technological resources will be needed, and these will have to come through increased aid from appropriate international agencies and through bilateral assistance.
- ii. A closer and more effective collaboration among producers of natural and synthetic products that would include identifying and developing the possibilities of complementarity and joint R & D (e.g. production of new or improved textiles by combining the natural material with synthetics).
- iii. A degree of restraint by governments in encouraging or artificially stimulating the development of synthetics and, where necessary, the imposition of fiscal disincentives on synthetic substitutes in order to ensure that internationally agreed prices for natural products are maintained, thus mitigating the harmful effects of the growth of synthetics on the poor countries of the world which are the main producers of competing natural products.

Investment in production of non-renewable resources

61. We note with concern that investment in mining has recently declined. Moreover, the increasing costs of extraction, together with long-term expansion of world demand, suggest that conventional sources of capital may not be sufficient to finance future exploration and development of these resources at an adequate level. New forms of partnership between capital, technology and natural resources will be needed. Attention should therefore be given to the mobilisation of international funds for this purpose. To this end, governments and international agencies should increasingly undertake the financing of feasibility studies, and the carrying out of preliminary exploratory work on favourable terms should also be encouraged.

A General Agreement on Commodities

62. Our terms of reference required us to examine other commodity proposals including the submission on a general agreement on commodities. The debate on the entire issue of commodity policy has been pursued in a number of different fora and an international consensus seems to be

emerging. We believe that the next step should be to transfer this wider measure of agreement into action at the earliest possible moment. We have already set out our specific proposals to this end. However, since trade in commodities plays such an important role in the new economic relationship we wish to see established between developed and developing countries, we believe that a comprehensive agreement could be of value at an appropriate stage.

SECTION 3

TRADE LIBERALIZATION AND ACCESS TO MARKETS

The Multilateral Trade Negotiations and national actions

63. The Tokyo Declaration, adopted by the participants in the current Multilateral Trade Negotiations (MTN) set out objectives for securing additional benefits for developing countries. These included a substantial increase in foreign exchange earnings, diversification of exports, acceleration of the rate of growth of trade, participation and a better balance in the sharing of the advantages in the expansion of world trade, substantial improvement in the conditions of access to markets and stable, equitable and remunerative prices for primary products.

64. We believe that these objectives must be urgently translated into practical measures by all governments concerned at as early a stage as possible during the MTN. We urge that the developing countries themselves should intensify their participation in the negotiations and bring their concerns vigorously to the attention of the wealthy countries, who in turn should not allow benefits to developing countries to be simply a by-product of deals among the major trading blocs. We recommend that special consideration be given to aspects affecting the ability of the developing countries to realize the full benefits of trade liberalization. As they seek, for example, to encourage the processing or semi-processing of primary products, in order to achieve greater returns to their economies or greater employment for their peoples, tariff barriers for such exports tend to escalate in the importing countries. Moreover, the costs of industrialization are high in many developing countries, particularly the least developed, where the necessary infrastructure is non-existent or rudimentary. Special concessions are required for the least-developed, the landlocked and island developing countries if they are to build up successfully an industrial base and increase their exports of primary products or manufactures.

65. Rules of origin applied by importing countries to the exports of developing countries are frequently too restrictive. The initial establishment of industry in the developing countries, particularly the poorest ones, might well mean that the value added they could achieve is less than the developing countries themselves desire or the developed countries would ordinarily find acceptable. However, both parties have

to work on the basis of what is possible, and rules of origin should be modified to reflect this reality. They should also be flexible enough to permit the establishment and growth of regional and inter-regional industrial projects where more than one developing country can have an input into the final product to be exported. Beyond the removal of such restrictive features, we consider it equally important to achieve rapid progress in the harmonization of origin rules among the major developed countries, and the standardization of administrative procedures if the growth of export-oriented industries in developing countries is not to be frustrated by the complexities of export documentation. Finally, we consider that careful consideration should be given in the MTN to removal of such adverse effects to the exports of developing countries as could arise from application of systems of valuation for duty other than those on a c.i.f. basis.

66. It is our firm view that the wealthier countries should not wait until the conclusion of the MTN to introduce trading concessions for the benefit of developing countries. There could and should be advance implementation of tariff cuts of particular interest to developing countries. Such tariff cuts are frequently in the interest of the consumers in wealthy countries as well as of general benefit to their economies. In particular, we urge that tariffs and other restraints on the consumption of non-competing tropical products should be immediately removed.

67. The OECD countries have within their own national control the possibility of widening, making deeper tariff cuts in, and generally improving their GSP Schemes. We urge that such improvements be undertaken promptly. Similarly the wealthy importing countries can exercise considerable discretionary power in the imposition of non-tariff barriers. These should be the subject of intensive examination in the MTN where, in our view, more rigorous and more objective criteria should be adopted so that only clear cases of injury would permit the application of quantitative restrictions, countervailing duties, anti-dumping regulations or other safeguards. Even in these cases barriers should be raised against developing countries only in exceptional circumstances, and should not be imposed upon the developing countries if they were not the source of the injury.

Adjustment measures

68. It is in the interest of all countries, both developed and developing, that the competitive advantages of developing countries in certain products, arising from lower labour costs or other reasons, should not be obstructed by restrictions on their exports. Not only should the exports of such products be encouraged; increased measures of adjustment

within the importing countries should be undertaken so that planned and orderly phasing out of non-competitive industry within their own economies could take place. Although a few developed countries have attempted some adjustment measures, experience suggests that, where these are undertaken for domestic economic or other reasons and not related to the encouragement of imports from the developing countries, they may actually work against the latter objective.

69. We recommend that developed countries should undertake adjustment measures linked specifically to the promotion of imports from developing countries. If such measures become an important element of national policy in the developed countries, they could help to reduce the opposition of producers and organised labour to the liberalization of trade with developing countries, and thus enable consumers in the developed countries to enjoy the benefits of cheaper imports.

70. Measures facilitating full access for manufactured goods of developing countries to the markets of the developed countries need to be introduced urgently, if there is to be even a reasonable chance of reducing to manageable proportions the shortfalls in the export earnings of the developing countries as projected by certain international sources for 1980 and beyond.

The time frame

71. The time frames suggested in the above recommendations show that no single date can serve as a target for implementation of the various measures proposed. Rather, certain action is possible immediately, while other steps could be taken in advance of general implementation. In respect of the other items, we would hope that the international community itself would fix specific timetables for introducing measures. In this as in other similar instances, the guiding principle for action should be the compelling needs for immediate steps to accelerate industrial expansion in the developing world.

SECTION 4

ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES

Regional and inter-regional cooperation

72. The promotion of economic cooperation among developing countries is now a well-accepted part of international development policy. The past two decades have seen several regional and sub-regional groupings spring up in the developing world, the latest being the establishment of the Economic Community of West Africa. Recently, concrete initiatives have also been taken to promote cooperation on a wider scale, involving the development of trade and other economic links among the developing regions of Africa, Asia and Latin America.

Regional cooperation and integration

73. All of these efforts have traditionally taken as their starting point the need for larger markets to overcome the constraints of critical minimum size and economies of scale. All but a few developing countries face these limitations once efforts are made to extend the process of industrialisation beyond the production of a narrow range of light consumer goods. Increasingly, countries are finding that the most substantial gains from cooperation come not so much from the widening of markets through programmes of trade liberalisation but from joint efforts at complementary development of key activities and sectors. Thus, the development of large agricultural projects on a sub-regional or regional scale is now becoming a feature of some integration groupings. Likewise, some groupings are giving attention to joint projects designed to satisfy not merely regional demand, but also to supply exports to countries outside the regions in question.

74. Although these new emphases hold the promise of making regional integration a more substantial element in development policy, it is regrettably the case that some regional groupings are making little progress, and in one or two cases are virtually at a standstill. The reasons for such stagnation are complex, and specific details tend to vary from case to case. Yet, there are a few problems which tend to be common to most groupings.

75. One of these is the tendency for the main benefits of integration to flow towards the relatively more developed partner countries. Although the measurement of the benefits and costs of integration is a complicated matter, it is sometimes argued that improvements in the intra-regional

balance of trade of a particular country or the concentration of new regional investment projects in that country can be taken to represent crude evidence of integration gains. Typically therefore, the less developed countries in the grouping tend to find themselves having to face the costs of more expensive imports arising from the process of trade diversion without compensating improvements in their export earnings from sales to the rest of the region. Accordingly, nearly all groupings now have special programmes to counteract tendencies towards polarisation among their less developed member states. These developments need to be extended and generally deserve the support of the international community.

76. Associated with this problem of unbalanced development is the weakness in regional infrastructure. Most groupings in developing countries are required to function without adequate facilities in the field of intra-regional transport and communications, and for the financing and clearing of intra-regional trade. This works particularly against the development of intra-regional trade in agricultural products where limitations such as transport, storage, and market intelligence often remain to be overcome. The less developed countries which tend to count initially on agricultural products for expanding their exports to the regional market are therefore placed in a particularly unfavourable position.

77. The international community has consistently shown interest in the development of integration groupings among developing countries. However, the historical and contemporary experience suggest that there is need for new initiatives designed to develop a comprehensive programme of international assistance in this field. Such a programme should give greater emphasis than has been accorded in the past to supporting the integrated development of key sectors and at achieving more balanced development between individual countries in groupings. Among other things, this will call for more substantial efforts by the developing countries concerned in the identification and preparation of multi-national projects and in coordinating their approaches to development assistance. A useful step was recently taken in the Lome Convention where, by common agreement, 10 per cent of the European Development Fund was set aside for regional projects. Similar activities might serve to generate a new confidence among participating countries about the prospects for achieving early and substantial results from regional cooperation. As far as technical assistance is concerned, the international community can support the work of integration secretariats by financing research and pre-investment studies in the field of regional project development and overall planning. Benefits could also be gained by schemes of cooperation among the integration secretariats themselves that would promote an exchange of comparative

experiences, and in particular instances, perhaps even a pooling of resources for undertaking work of common interest.

Inter-regional cooperation

78. Much of what has been said about cooperation at the sub-regional and regional levels applies with similar force at the inter-regional level. Here, some of the difficulties described above are merely compounded by the relative absence of the common bonds of geographical proximity and historical and cultural development, which form part of the basis for sub-regional and regional schemes. Yet, an imaginative view of the future must encompass possibilities for closer trade and economic ties between the developing regions. In this connection, we support the initiatives taken by the Non-Aligned countries to set up an Action Programme to promote economic cooperation between themselves and other developing countries in the fields of trade, industry, and transport. We also endorse the efforts that are being made in the GATT to liberalise trade among developing countries. We suggest that the opportunities afforded by the Multilateral Trade Negotiations be utilised for promoting further advances with this matter.

79. In the sphere of inter-regional cooperation it goes without saying that financial and technical support from the international community has an important part to play.

SECTION 5

FOOD PRODUCTION AND RURAL DEVELOPMENT

Food shortages

80. The facts of food shortages, malnutrition and rural poverty in the developing countries are too well known to need repetition here. Food deficiencies persist in many of them despite notable increases in production, while in others production has not kept pace with rising populations. This has resulted in an increasing resort to imports, thus adding to the strains on balances of payments and to the vulnerability of their populations to hunger in times of world food shortage. Food imports by developing market economy countries rose by 40 per cent in the decade to 1972 and, on the basis of past trends, the World Food Conference Secretariat projected their cereal import requirements to rise from 16 million tons in 1969-71 to 85 million tons in 1985, or even to 100 million tons if the season is one of bad harvests.

International initiatives

81. International concern about increasing hunger and poverty in the developing world led to the calling of the World Food Conference in November 1974. The consensus of the Conference was that a solution to the food problems of developing countries must be sought in programmes of overall rural development having the general aims of self-sufficiency in food production and substantial increases in rural incomes and standards of life, although considerations of comparative advantage indicated that increased production for export in association with greater food imports is the best course for some countries. We associate ourselves with this consensus and agree with the wide ranging programme of measures for development identified by the Conference.

82. We strongly support the initiatives taken by the Commonwealth Ministers at their meeting in March 1975 and endorse their view that the problems of food production and rural development should be given the highest priority in all international and national efforts in the future.

Special infrastructure needs

83. We wish particularly to emphasize the urgent need for effective action to develop the rural infrastructures and food production capabilities of a number of key areas such as the Sahel and Bangladesh which are

especially vulnerable to food shortages. We believe the situation in these areas to be unacceptable to the international community and urge donor countries and the appropriate international agencies to initiate without delay a comprehensive programme of investment in infrastructures such as dams, water control and improved soil fertility which will be sufficient to ensure that there is no repetition of recent tragedies.

Fertilizers

84. We are concerned about recent shortages and high prices of fertilizers and the constraint this has exercised on food production. We urge on donor countries the importance of commitments of fertilizers and cash to the International Fertilizer Supply Scheme to enable the developing countries to fulfill their short term needs at reasonable prices. We stress too the necessity of providing the technical and financial assistance needed for the development of fertilizer production in developing countries. We ask the FAO Commission on Fertilizers to proceed with due urgency in its tasks of devising a world fertilizer policy, in the development of appropriate price stabilization measures and in the prosecution of studies on fertilizer production costs.

Fisheries

85. Side by side with developments in agriculture much greater consideration than hitherto needs to be given to the development of the fishing industries which have the potential to make a significant contribution to increased food supplies in developing countries. This requires attention to methods for improving the efficiency of the industries, to increasing the size and quality of the fish catch, and to the development of fish farming in rural areas.

International institutions

86. Although governments in developing countries will naturally have the key role in rural development and bear responsibility for planning, determination of priorities and mobilisation of resources, they will require massive increases in both financial and technical aid if the desired levels of development are to be achieved. The World Food Council, set up by the United Nations to guide and direct the programme formulated by the World Food Conference and to promote the necessary international solidarity, should receive the whole-hearted support of all developed and developing countries. Support for the Consultative Group on Food Production and Investment and the International Fund for Agricultural Development is also essential if the target set for increased financial aid for rural development is to be realised. It is hoped that donor countries will soon overcome the hesitation they have so far shown in pledging support for the Fund.

Rural organization

87. Before self-sufficiency in food production can be attained the necessary organisational, technical and social framework for modern agriculture must be developed. This will require in most cases, extensive land reform, the adaptation of production methods evolved in industrialised countries to the labour intensive conditions of the developing world and, most importantly, the involvement of all rural people, for whom appropriate incentives must be provided, and their training in the application of new techniques.

88. Governments in the developing countries as well as donor countries and agencies must face up to some of the transitional costs of rural modernisation. For example, the changes that might be required in land tenure systems could well involve output losses in the short run as the process of conversion to a new system begins. If the ultimate aims of rural transformation and development are to be achieved, the evaluation of agricultural and rural development projects must be based upon time horizons and cost benefit criteria which take these wider transitional factors into account. Such a broader view could well resolve the present paradox of donor countries and agencies complaining of a shortage of agricultural projects to support while there is obvious underdevelopment and distress in the rural areas.

89. Success in rural development will also require an innovative and pragmatic approach to alternative systems of rural organisation. Countries will have to experiment with a variety of forms with a view to finding out what particular institutional framework can best provide the incentives that will stimulate popular participation and intensified efforts on the part of the rural population. Programmes of international assistance must therefore be flexible enough to encourage this kind of experimentation, and we recommend increased attention to this question by donor countries and agencies.

International assistance

90. We welcome the increased interest shown by the World Bank in the problems of rural development and hope that it will continue to give greater emphasis to this branch of its activities. We urge the Bank and other lenders as well to introduce innovations in their lending practices to enable them to participate in the kind of programmes referred to in the previous paragraph.

91. Donor countries and international agencies are asked to consider a large extension of local cost financing to allow rural communities to

exercise greater initiatives and responsibility in their own development programmes. This would require the donors to develop confidence in the ability and integrity of the agencies involved in rural development in poor countries.

92. Developing countries will continue during the period of transition to rely on food aid to assist their development, to raise nutrition standards and to supplement supplies from other sources in times of emergency. It is hoped that donors will expedite their food aid commitments in order to enable the target of 10 million tons annually set by the World Food Conference to be met.

93. Governments are also urged to fulfill undertakings on world food security and to help to set up grain stocks in those developing countries which are likely to have the greatest difficulty in securing supplies in times of shortage.

SECTION 6

INDUSTRIAL COOPERATION AND TRANSFER OF TECHNOLOGY

The scope for cooperation

94. We consider that accelerated development of manufacturing activities must be a central part of a new economic order. As we pointed out in Section 1, in the course of development the increase of demand is increasingly directed towards manufactured goods. Measures to increase the pace of industrialisation present some of the most important opportunities for mutually advantageous cooperation between developing and developed countries. This development of manufacturing, in the broadest sense of the term, including artisanal activities, repair shops and other small enterprises, should take place not only in towns and cities, but also as an integral part of rural development. It must be based on technical and organisation methods suited to the needs and circumstances of developing countries, and particularly to their needs to provide greatly increased opportunities for remunerative employment.

95. New patterns of relationships between developed and developing countries, and among developing countries, in the field of industrial development are therefore a central element in our coordinated proposals. At the same time, initiatives in this area would need to be balanced with the priorities at present assigned to agricultural and rural development, so that activities in the two sectors would be complementary. New cooperative efforts in the area of industrial cooperation would normally be of greater benefit to the middle-income countries which have a growing industrial base, and special measures would therefore be required for the lower income countries.

96. Noting that, according to the Industrial Development Board of UNIDO, developing countries accounted for only 7 per cent of world industrial production, we urge that steps be taken to bring about the necessary changes that would facilitate rapid growth of this share. We recognise that this will require a larger flow of capital and technology, and that such flows will need to be in a form consistent with the priorities and development plans of the recipient countries.

The need for new approaches

97. Traditional approaches to industrial development do not meet the needs of the present situation. The contributions of the private sector to industrial development, supplemented by the activities of individual govern-

ments and multilateral institutions, have not adequately advanced industrial development in many developing countries. Much industrial development in developing countries has been confined to "enclave" activities having minimal linkage effects with the rest of the economy, and a low level of permanent absorption and diffusion of technology and skills. As developing countries themselves have tried to re-define the parameters within which industrial development should take place, frequently involving greater public sector control and participation, the foreign private investor has sometimes believed his interests to be at risk and become less willing to provide the capital or skills.

98. We lacked sufficient time to consider what specific role should be envisaged for foreign private investment in the industrial development of the developing countries. The issues in this field, especially those having to do with the operations of transnational corporations, need thorough attention. We noted the discussions which have been going on in the international community on this latter question, and the international action which has so far been taken. We believe that, notwithstanding the progress which has been made in consideration of the matter, the search for effective solutions should continue as a matter of urgency, with a view to ensuring that the mistakes of the past are not repeated.

A package approach

99. The concept of industrial cooperation itself has grown up out of a desire to find new models for industrial development, and a variety of new forms of such cooperation could be conceived. For example, the recent Lome Convention includes new institutional mechanisms for vertical cooperation between the European Economic Community and the ACP States. Several regional groupings have also made specific provision for horizontal cooperation among their member countries. The essential issue, however, in the view of the Group, was how to bring together the various elements which go into successful industrial development into a coherent package. Existing programmes often involved a confused and confusing array of instruments operated by donor countries, multilateral institutions and developing countries. These require closer coordination and integration both at the multilateral and bilateral level.

100. One of the most important aspects of industrial cooperation is the relationship between the industrialized country and the developing country. Cooperation could be greatly strengthened through the formulation of a package approach which would help to define the common objectives of the two governments and bring together the necessary components of industrial development. Two steps might be envisaged. The first would be the

formulation of a general set of guidelines for bilateral industrial cooperation based upon the sorts of questions governments and private industry wish to raise when they seek to work together. An international institution such as UNIDO is in the best position to undertake this work. The second step is the implementation of these guidelines on a bilateral basis between industrialized and developing countries in the form of action programmes for joint implementation.

Transfer of technology

101. There are two aspects to the question of technology transfer. The first concerns the need for investment in the kinds of technology required by developing countries. The second has to do with the process of transfer itself.

102. On the first of these, we are of the view that the transfer of technology, if it is to be effective, has to be more concentrated on the specific requirements of the developing countries and more integrated into their internal structures, so as to become self-generating. For this purpose, we believe that one of the most pressing needs is the establishment, and where they already exist the strengthening, of indigenous Centres of Research and Development in the developing countries; and we strongly recommend increased international support for such efforts. Indigenous centres are in the best position to adapt technology to local needs and to build up the capacity to utilize local resources, both human and physical, for the development of the society. In this connection, it will be appreciated that there will be the allied need for relatively massive investment in particular fields of technology, such as adaptations to local sources of energy, or the development of pharmacological products from new and improved natural sources of organic chemicals. Altogether it must be stressed that the transfer of technology must be seen as a continuing process, and not as a contribution which can be made on a once-and-for-all basis.

103. We agreed on the need to strengthen UNIDO, both financially and as regards the quality of its staff, to enable it to expand its present operational activities and action-oriented studies and research programmes in the field of industrial development. We consider, however, that UNIDO needs to sharpen its own priorities. There seems to be a tendency towards overlapping of functions, and a relative lack of effective coordination among the multilateral institutions involved in industrial development and transfer of technology. There could be a vital role for UNIDO as a centre for assistance in drafting industrial cooperation agreements; for industrial education and training (including management and production engineering); for the provision of advice concerning industrial strategies

and the choice and adaptation of appropriate technology; and for activities in support of joint ventures and turnkey projects in the least developed countries which might well feel a continuing need for supporting expertise.

SECTION 7

THE TRANSFER OF RESOURCES

The role of resource transfers

104. Capital flows and transfers of technology are a major feature of international economic relations. They take place between countries at all levels of economic development. Developing countries have a particular interest in all forms of international transfer of resources - private investment, direct and portfolio; export credits and other lending on commercial and near-commercial terms (some of it through international agencies such as the IBRD and regional development banks); and technical and capital assistance in the form of grants or loans on concessionary terms.

105. This section concentrates mainly on official development assistance (ODA) provided in support of national development efforts and on concessionary terms. Such assistance is needed for countries where the returns from major investments are delayed or uncertain, and in any case should have the advantage of leaving the major part of the returns at the disposal of the recipient country.

The limited availability of ODA

106. Between 1963-65 and 1970-72, annual average disbursements of ODA from the developed market economy countries to developing countries and multilateral organisations, net of amortisation, increased only from \$6,720 million to \$7,150 when measured at constant (1970) prices. There was then a sharp fall in 1973, as the purchasing power of ODA disbursements was seriously eroded by inflation, but preliminary figures suggest some recovery in 1974.

107. Thus, as the developed countries have become richer and have increased their economic strength, they have not made available a comparable increase in the net flow of ODA to developing countries. As a percentage of the total GNP of the developed, market economy countries, ODA has progressively declined from 0.51 per cent in 1963 to 0.33 per cent in 1972, 0.30 per cent in 1973, and 0.33 per cent again in 1974. The real volume of net OLA flow from the United States decreased sharply from around \$4,000 million in 1963 and 1964 (at 1970 prices) to around \$3,000 million in 1969-72. The annual net flow from Britain averaged \$544 million in 1964-67, \$468 million in 1968-72 (again in 1970 prices).

108. These figures are recorded net of amortisation payments, but not of the related payments of interest. Against \$9,400 million disbursements of ODA, net of amortisation, by the developed, market economy countries in 1973 (at current prices), reverse flows of interest amounted to \$680 million.

109. By comparison with the flows from the developed, market economy countries, those from the centrally planned economies have remained small in total, though they are important for some developing countries. On the other hand, in 1974 and 1975 petroleum exporting countries have emerged as an important source of capital flows to developing countries, including flows on concessionary terms.

110. By contrast with ODA, net flows of private capital (including export credits as well as other loans and private investments) from the developed market economies to the developing countries have shown much greater buoyancy, rising from around 0.29 per cent of the GNP of the countries of origin in 1964-67 to around 0.36 per cent in 1968-73. However, the value of these flows to the recipient countries is reduced by the large reverse flow of profit remittances and interest payments, and is also offset by capital outflows from the developing countries themselves.

Lessons of experience

111. The effort of the international community to bridge the gap between rich and poor countries through resource transfer has so far yielded only limited results, and this experience should provide a number of important lessons for the future.

112. The first is that as long as developing countries depend predominantly on primary commodity exports, the gains from resource transfer may be substantially offset by falling and unstable earnings from commodity exports. Arrangements for the stabilisation of primary commodity markets are therefore a necessary condition for realising the fullest advantage from resource transfer.

113. The second is that the special infrastructural needs of the developing countries for major works such as water control will require a more massive transfer of resources than the present targets, which themselves have not been fulfilled, can hope to achieve.

114. The third is that assistance to industrial development has been an area of serious neglect. For example, there are only a few instances where assistance has been provided for the development of industries based on the utilisation of major raw materials of local origin. In this particular area, the centrally planned economies have followed more flexible policies.

115. The fourth arises from the voluntary nature of resource transfer, changing political considerations and short term economic calculations on which most of it depends. This has given rise to a great deal of uncertainty in national planning.

116. The fifth has to do with private investment, particularly through transnational corporations. On the whole, the distribution of the benefits from this investment has not been in favour of the developing countries. This situation has given rise to justifiable demands by the developing countries for new arrangements for private resource transfer to the directly productive sectors.

117. Another lesson concerns the inflexible debt-service obligations, which have created serious problems for the balance of payments, particularly in times of shortfalls in export earnings.

118. Finally, the terms of aid and other conditions imposed on concessionary resource transfer have made the effective terms of aid much harder than the nominal terms would indicate. Hence, the untying of aid and the relaxation of other conditions imposed on such resource flows could substantially increase the benefit of aid to the recipient countries.

The need for an increased transfer

119. At present, many developing countries are in grave balance of payments difficulties because of increased prices of imported petroleum, food, fertilisers, capital equipment and other manufactures while prices and demand for the goods which they export have collapsed as a result of recession in the developed countries. Thus, a marked increase in the transfer of resources will be needed in order merely to sustain a minimum momentum of development in much of the world and even to maintain minimum conditions of life in many of the poorest countries. And, if the greatest part of this increased transfer is not provided on concessionary terms, the result will be increasingly widespread and acute debt servicing problems, which could threaten the maintenance of development in the future.

A new dimension in international assistance

120. Beyond this need for what is essentially a holding operation, to maintain the inadequate momentum so far achieved, we see a pressing need for an entirely new dimension in international cooperation for development. A major increase in the transfer of resources is needed:

- to finance infrastructural works on a scale which is not even envisaged at present: we have in mind such programmes as arrest of the southward movement of the Sahara Desert in the Sahel area, flood control and protection against typhoons in Bangladesh, rural electrification and provision of pure water supplies;

- for the establishment and maintenance of major regional and sub-regional centres of research and development;
- to support regional and inter-regional cooperation among developing countries;
- to ensure adequate food supplies, both by support for agricultural development and through food relief as needed.

121. External assistance must be complementary to national and multi-national efforts at self-help and cooperation. In general, it is evident that the transfer of resources from developed to developing countries should as far as possible cease to have the character of "aid" and assume that of cooperation, being regarded as part of an integrated effort to mobilise resources for human progress.

Targets for official development assistance (ODA)

122. By 1974, only one country of the OECD Development Assistance Committee (DAC), Sweden, was in compliance with the UN target of a net transfer of ODA equal to 0.7 per cent of gross national product (GNP). Belgium, Canada, Denmark, Australia, Norway, France and the Netherlands were in a band from 0.49 to 0.62 per cent of GNP. Britain and Germany transferred about 0.38 per cent of GNP. The remaining DAC countries, including the United States and Japan as well as Switzerland, Italy, Finland, Austria and New Zealand, all transferred 0.30 per cent of GNP or less, thus pulling the weighted average for the DAC group as a whole down to 0.33 per cent of GNP.* Several of these countries had transferred a considerably higher proportion of GNP in the past than they do now when they have grown richer by several years' increase of their per capita GNP. Transfers from the higher-income centrally-planned economies are very much smaller in relation to their products.

123. From our collective knowledge of the circumstances of many of the developing countries and from our study of the efforts which have been made to quantify the requirements of these countries for net inflows of resources, we have no hesitation in insisting that the present total transfer of ODA is too small and inadequate to meet the most pressing problems, let alone to support the kind of structural transformation required for a new economic order. In all too many cases, the effort being made is too small in relation not only to the needs of the poor countries but also to the capacities of the rich. We consider that the reasons developed countries have advanced in an attempt to explain why annual aid appropriations have failed to allow them to reach the 0.7 per cent target already, and in some cases have resulted in backsliding, have little economic substance or validity.

*1974 figure for Portugal not available.

Ultimately it comes down to a question of priorities which governments themselves attach to the needs of the developing countries as compared with the domestic demands. It is a question of political will. We therefore urge that all developed countries regardless of their economic and social system, and particularly those with per capita GNP of over \$2,000, should without any further delay implement the UN target of 0.7 per cent.

124. However, in view of the developmental needs which have been extensively considered above, we regard fulfilment of the 0.7 per cent target as only a necessary first step. We believe that the present needs of developing countries require an ODA effort equivalent to at least 1 per cent of GNP by 1980.

125. Lest it be said that provision of net ODA to the amount of 1 per cent of the GNP by 1980 would impose an intolerable burden, we estimate that for the developed, market-economy countries this would entail their devoting to increase of ODA only some 5 per cent of the amount by which they may reasonably be expected to grow richer between 1975 and 1980. They could thus retain 95 per cent or more of the increase of their GNP for their own use and still increase net ODA to 1 per cent of GNP by 1980. Such an effort would be relatively negligible in relation to the prospective increase of wealth and income of the developed countries and yet would substantially improve the situation in regard to the economic transfer of resources.

126. The volume targets need to be taken in conjunction with a target for the terms of ODA. In this connection, we endorse the terms target adopted by the DAC, i.e. the average grant element of at least 84 per cent. We hope that terms of assistance, particularly for the poorer countries, would be such that the period of repayment would be at least 40 to 50 years, with a grace period of at least 10 years and a maximum rate of interest not exceeding 1 per cent. We also recommend that the terms for the least developed countries should be even more concessionary. We urge upon those donor countries which are not yet doing so to provide outright grants to the least developed countries and the countries most severely affected by the recent world economic crises.

127. The advantage of concessionary terms can be reduced or even nullified if ODA loans are tied to provision of unduly expensive goods and services, thus hardening the effective terms, or if rigidities in the administration of ODA prevent its effective use in support of development of high priority. We urge that, in view of the adverse effects that arise from the tying of ODA, its terms and conditions be made as flexible as possible, particularly in increasing significantly the proportion which is untied. We also urge the removal of the present rigidities in the administration of assistance, for example by increased financing of programmes as opposed to individual projects, and of local development costs, including procurement on a regional basis.

Automaticity in resource transfers

128. Developing countries need not only increased transfer of resources, but the assurance of a continuing adequate flow. Both in relation to the total size of the flow and its continuity, we consider it important that an increased element of automaticity should be built into the transfer process.

129. In this connection, we consider that developing countries should have priority call on Special Drawing Rights (SDRs) through some form of "Link" mechanism. We consider that there are no insurmountable technical difficulties to the establishment of such a Link, and that its inauguration under appropriate mechanisms and disciplines need not await the completion of a comprehensive package of reform of the international monetary system.

Distribution of transfers

130. In recent months, a number of steps have been taken to increase the proportion of ODA going to the poorest countries, many of which have been particularly adversely affected by recent economic events. This has been done by redistribution of existing bilateral and multilateral programmes, in tandem with the United Nations Special Programme for the most seriously affected countries.

131. In the longer term, we see a continuing need to shift the balance in the transfer of resources in favour of the poorest countries. This will be most readily accomplished, with fairness to all, in a framework of rapidly increasing total transfers.

Other recent initiatives

132. For the immediate future, there is a pressing need for further additional assistance of an interim nature to help the countries seriously affected by recent economic events, to overcome their immediate problems. In this context, we support the proposals to create a flow of funds on intermediate terms by means of subsidization of interest of sums borrowed on essentially commercial terms, provided that the subsidy fund is additional to, and not at the expense of, provision of ODA at highly concessionary terms - e.g. through the forthcoming replenishment of the resources of the IDA. We also support in the proposal to use IMF gold holdings, directly or indirectly, for the finance of transfers to developing countries on concessionary terms.

Debt relief

133. Most developing countries have accumulated considerable external debt, because sufficient attention has not been paid in the past to the terms of international assistance or to the concept of net transfer of resources. Consequently, the developing countries have accumulated a total financial debt in excess of \$120,000 million¹ and the debt servicing liabilities are already taking away more than 50 per cent of the new assistance they receive. In a number of developing countries the size of external debt and debt servicing liabilities creates a serious obstacle to continuing development. This means that there has to be an ever-larger gross capital inflow merely to offset debt service payments before there is any positive step towards net transfer of resources. In several countries, the debt servicing problem is to a great extent due to the inflexible nature of debt service liabilities, which become a heavy charge in years of below-normal export earnings and other foreign exchange receipts.

134. Countries in this latter situation would obviously benefit from the trade measures proposed, which are designed to stabilize prices of their staple exports; and also from an adequate scheme of compensation of shortfalls of export earnings. Their situation could also be eased by increase of overdraft facilities on easy and concessionary terms from the IMF or other sources in periods of balance of payments difficulties arising from causes outside the control of the countries concerned.

135. We nevertheless judge that there is a core of countries suffering from serious and intractable problems of external debt which have grown out of proportion to their economic strength and prospects, and for which measures of rescheduling and relief of external debt are required. It is essential that the need of the poorest countries for large and continuing net inflows of resources should not be frustrated by large outflow of debt service payments. We therefore recommend that the World Bank, in consultation with the IMF, the UN and UNCTAD Secretariats, and the DAC should be invited to reconsider the feasibility of developing guidelines which would establish a presumption in favour of automatic rescheduling and relief from external debt of particular developing countries. In some of them these should include the writing off of certain loans; and for the most seriously affected countries, the conversion of existing loans into outright grants. In the spirit of the new international economic order and the need for a larger transfer of resources, these measures should be introduced as a matter of urgency.

¹End of 1973, excluding private debts not under public guarantee in the debtor countries.

SECTION 8

INVISIBLES

The importance of invisibles

136. Shipping, banking and insurance are an integral part of international trade. It is natural that users of these services, particularly developing countries, want to have a full say in these matters. Due to the limited time at our disposal for the completion of an interim report, we have not been able to give the comprehensive attention to these subjects which they deserve. At the same time, it is quite clear that no new international economic order can be meaningful without the international community fully supporting the efforts of the developing countries to secure full participation in these services which are so essential to the development and maintenance of their legitimate trade interests.

137. Many developing countries have been pursuing the objectives of securing greater control over and benefits from shipping through the development of their own merchant marines. In some instances, this is being done on a multinational basis through sub-regional and regional schemes. We favour this basic approach to the problem, and consider that the international community should provide more financial and technical assistance in support of initiatives of this kind.

138. There is a wide range of measures which can be taken to further the interests of the developing countries in the field of shipping. These include the application of technological developments in shipping; the development of adequate transport infrastructure; the training of nationals in the technical and operational aspects of shipping; and concerted international action on trade facilitation and co-ordination including, in particular, trade/transport documentation, and the collation of reliable shipping statistics. Last but by no means least, further efforts should be made to find just international solutions in the field of regulation of the ocean shipping industry.

Banking and Insurance

139. We consider that the development of banking and insurance services at the national level have an important part to play in the

mobilisation and allocation of financial resources in developing countries. Some developing countries have already made important advances in these fields, and we have in mind that they could provide assistance to other developing countries requiring it. This would complement the transfer of managerial and other technical skills by developed countries, which is already taking place and should be encouraged.

140. In the case of insurance, there seem to be possibilities for collaboration between developing countries, especially at the sub-regional and regional levels in the development of re-insurance facilities. Such co-operation would, among other things, require harmonisation of the supervisory regulations and practices of the countries concerned.

141. In general, we feel that once adequate foundations have been laid in these fields at the national level, the developing countries would generally be better placed to participate in the provision of international banking and insurance services. In the meanwhile, those developing countries which are already in a position to enter these latter fields should be encouraged to do so.

SECTION 9

INTERNATIONAL INSTITUTIONS

Aspects of institutional reform

142. Our terms of reference required us to give attention to "reform and where necessary the restructuring of international institutions concerned with the management of international trade and finance and whether means could be found to increase the effective share of the developing countries in the decision-making process of major international financial institutions". We consider this to be an important issue; and in fact at several points in our discussion, the structure and policies of international institutions concerned with trade and finance emerged as major constraints to progress and change.

143. However, it has not been possible in the limited time at our disposal to consider the many and complex aspects which have a bearing on the restructuring of these institutions. Nevertheless the question of institutional reform is an urgent one; and at this stage we would like to stress certain basic considerations which would need to be accepted by the international community.

144. In dealing with international institutional reform, it is necessary to distinguish between the functional and structural aspects. The former relates to operational effectiveness and covers questions such as the clearer definition of functions and the avoidance of duplication. These issues have received attention recently in the Report of the Group of Experts on the Structure of the United Nations System, and the recommendations are under consideration in the United Nations.

Voting structure

145. The structural aspects however are even more important and urgent. The present serious imbalance between developed and developing countries in the control and management of international financial institutions needs to be corrected without delay. This imbalance is a consequence of transplanting to the sphere of international institutions the principle of voting rights being proportional to financial contribution. This principle which may be appropriate in the corporate sector in an industrial society is not necessarily valid in relation to the purposes of international institutions. For this reason the capital

structure and voting rights in the regional development banks which were established later are different. A similar approach needs to be adopted in the case of the IBRD and the IMF. We note the discussions that have so far taken place and recommend that at the next meetings of the Board of Governors of the IBRD and IMF which are scheduled for September this year, Finance Ministers take up the question of securing changes in the voting rights in both of these institutions, that will give the developing countries a greater say in decision-making. Here, as elsewhere, we urge that the international community search diligently for methods of advance implementation which could yield desired results on a de facto basis while the necessarily longer process of negotiating formal institutional changes is completed.

Management

146. Restructuring of the voting rights will not by itself be enough. Poverty is a world problem but it is more directly and intimately the problem of the developing world. In order to ensure that the international institutions are more effectively able to cater to the needs and aspirations of the developing countries, a larger share in the management structure for persons with direct experience of the problems of these countries is necessary. In this context it will be desirable for the developing world to make available for such international assignments persons with requisite expertise and experience even at the cost of some temporary inconvenience.

TERMS OF REFERENCE

The following terms of reference were decided by Commonwealth Heads of Government at their meeting in Kingston, Jamaica in April-May 1975.

Economic matters

1. Commonwealth Heads of Government recognised the need to take immediate steps towards the creation of a rational and equitable new international economic order. They reaffirmed the statement included in the Commonwealth Declaration adopted in Singapore in 1971 that "the wide disparities of wealth now existing between different sections of mankind are too great to be tolerated...our aim is their progressive removal", and acknowledged the complexity, range and inter-related nature of the issues involved. They agreed that a small Group of Experts should be invited to draw up for consideration by Commonwealth Governments, in the context of the current international dialogue, a comprehensive and inter-related programme of practical measures directed at closing the gap between the rich and the poor countries. These measures would be designed to promote development and to increase the transfer of real resources to developing countries inter alia in the areas of production, distribution and exchange of primary and secondary products as well as services. Heads of Government recognised the importance in this context of cooperating to achieve an expanding world economy and world trade.

2. The Group of Experts should be selected from the Commonwealth on the basis of their personal capacities and their expert knowledge of contemporary problems of international economic development, and should be assembled in a way which would enable the perspectives of different regions of the Commonwealth and different national development strategies to be brought to bear on the problems concerned.

3. The Group of Experts should address itself to the issues and proposals elaborated in:

- i. The Declaration and the Programme of Action on the Establishment of a New International Economic Order as adopted by the United Nations General Assembly; and
- ii. the relevant principles of the Commonwealth Declaration adopted in Singapore in 1971; and

/iii.....

- iii. the concepts and proposals advanced during the discussions of the international economic situation at the Kingston Meeting of Heads of Government including the presentations by the Government of Guyana on behalf of the Caribbean and by the Government of Britain.
4. In drawing up a programme of practical measures the Group should pay particular attention to:
- i. measures to transfer real resources from developed to developing countries through international cooperation in the field of international trade in primary commodities with particular reference to the integrated commodities programme recommended by the Secretary-General of UNCTAD, current proposals of buffer stocks, for indexation, and other relevant proposals, including the proposal for a general agreement on commodities.
 - ii. measures which the international community can introduce for assisting developing countries -
 - (a) to increase food production;
 - (b) to promote rural development;
 - (c) to promote economic cooperation among themselves at the sub-regional, intra-regional and inter-regional levels; and
 - (d) to obtain greater control over, and benefits from such activities as shipping, insurance, banking and other parts of the infrastructure for international trade and development.
 - iii. programmes for industrial development involving new and expanded forms of industrial cooperation, the enlargement of employment opportunities in developing countries, and more favourable access to the markets of developed countries;
 - iv. a review of existing organisations for industrial cooperation, and development;
 - v. mechanisms for increasing the flow of long-term development funds, the transfer of technology and the transfer of real resources to developing countries; and
 - vi. reform and where necessary the restructuring of the international institutions concerned with the management of international trade

/and.....

and finance, and whether means could be found to increase the effective share of the developing countries in the decision-making process of the major international financial institutions.

In all of the above matters due regard would be paid to the special needs of the least developed, land-locked, the most seriously affected, and island developing states with limited natural resources.

5. In drawing up its recommendations the Group of Experts should consider the feasibility of utilising relevant concepts and mechanisms embodied in recent economic cooperation agreements between certain developed and developing countries.

6. The Group of Experts should consist of not more than ten persons.

7. The members of the Group should be appointed by the Secretary-General after consultation with Member Governments.

8. The Group should aim at submitting to Governments an interim report on the results of its work indicating measures which are amenable to early and effective implementation in time to permit discussion of this report at the next meeting of Commonwealth ministers and to enable Governments to take this report into account before the Seventh Special Session of the General Assembly.

9. It is expected that the Group will endeavour to hold its first meeting by the end of May or early in June.

10. It would be desirable that the Secretary-General-elect should be associated at as early a stage as possible with the work of the Group.

11. Heads of Government appointed Mr. Alister McIntyre, Secretary-General of the Caribbean Community, Chairman of the Expert Group.

LIST OF MEMBERS OF EXPERT GROUP

H. E. Mr. Alister McIntyre	- Chairman
Professor A. D. Brownlie	(New Zealand)
Professor Nurul Islam	(Bangladesh)
Amir H. Jamal	(Tanzania)
H. E. Mr. P. S. Lai	(Malaysia)
Mr. L. M. Lishomwa	(Zambia)
Sir Donald Maitland	(Britain)
Shri Sharad S. Marathe	(India)
Professor H. M. A. Onitiri	(Nigeria)
H. E. Mr. L. A. H. Smith	(Canada)
Mr. J. P. Hayes	- Secretary

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Second Report of Commonwealth
Experts on the New International
Economic Order

INTRODUCTION

The Seventh Special Session and Beyond

1. The months since the middle of 1975, when we wrote our Interim Report, have brought positive progress in the development of an organised dialogue on the implementation of a new international economic order. The Seventh Special Session of the United Nations General Assembly identified the common ground that existed between the developed and developing countries, and outlined some directions for further discussion of unresolved issues. We consider that all parties recognise the importance of building upon the conclusions of the Seventh Special Session, by coming to early agreement on specific programmes of action for the benefit of the developing countries. We see UNCTAD IV as offering an invaluable and timely forum for coming to decisions on the important elements of a new programme of international co-operation.

2. Full account should also be taken of the work going on in the Conference on International Economic Co-operation, which has begun meeting in Paris. We consider that discussions among groups of countries could contribute to the building of a global consensus. Accordingly, we would hope that discussions in Paris and in other forums would be mutually reinforcing in the direction of getting quick agreement on major issues. The important thing is that everyone must be demonstrably working within a common framework of objectives, priorities and timetables. One would thereby avoid what has often been the unsatisfactory outcome of past efforts, where a proliferation of forums brought confusion, delay, the diversion of energy and the postponement of effective action. It is also important that no interest be left unrepresented in the global dialogue - whether developed or developing country, market or centrally-planned economy. The issues at stake are universal in scope, and require for their solution the full involvement of all countries in the international community.

3. The Gravity of the Problem
In our previous Report we stressed the urgent need for early action, suggesting that the international community should make conscious efforts to shorten conventional timetables for implementing programmes of international co-operation. Since then, the information which has become available on the grave position of the non-oil developing countries underscores the need for immediate action. In this connection, the most pressing problem is that of the balance of payments, and the constraints this imposes on real development and the planning for such development, including the creation of employment in developing countries.

4. The developed countries have managed because of the resilience of their economies and the efficacy of their adjustment mechanisms substantially to overcome the recycling problem,

and to go a considerable way towards reactivating their underlying potential for real growth and the creation of jobs. This has been materially assisted by the previously under-estimated import capacity of the OPEC countries for goods and services produced by the developed world, and by economies in the use of oil. The burden of the balance of payments adjustment required by the international economic crisis has fallen upon the non-oil developing countries, who are ill-equipped to bear it.

5. The IMF's analysis of the situation indicates that the non-oil developing countries experienced a current account deficit of some \$35 billion in 1975; and the most hopeful forecasts are that in 1976 and 1977 the deficit is unlikely to fall below \$30 billion in each year. There has therefore been a radical shift from the position where the non-oil developing countries were usually incurring approximately a \$9 billion deficit, which was accommodated within existing international institutional arrangements, even though inadequate growth and development were being generated in the large majority of developing countries. The present outlook for a \$30 billion-plus deficit must be considered against the background that the full implications of this for the development prospects and the standard of living of many developing countries are only now beginning to be seen, and that institutional developments for providing the resources needed to fill this gap on appropriate terms, have not yet been fully examined, let alone set in place. So far, less than \$6 billion is likely to become available through institutions towards the required \$30 billion, which indicates the gap that remains to be filled by ODA and other support schemes.
6. Over the past two years the non-oil developing countries have been able to rely, and have had to rely, predominantly upon short-term market borrowing, largely through Euro-banking channels, and devices such as suppliers' credits. In 1975, the net expansion of credit from private banks to them approached \$14 billion - a sum well in excess of the traditional annual deficit. This pattern of financing is naturally giving rise to an escalation in debt servicing payments. It does not therefore represent a durable solution, but one which merely creates difficulties for the future, and makes the development problems of the non-oil developing countries that much more intractable. Moreover, the revival of demand from developed economies for loanable funds, as they recover from recession, will tend to reduce the finance available to the developing countries.
7. There is no room for complacency. If the expected deficit cannot be financed, the developing countries will be forced to do without imports of goods and services vital not simply for their development but for the maintenance of even their present inadequate standard of living. The forecast deficit is itself posited on an inadequate rate of growth. A more desirable rate of growth would result in a much larger deficit. A smaller deficit could mean stagnation and in some cases perhaps even starvation.

Areas for Corrective Action

8. It seems to us that several things could be done quickly to redress the situation. First, a further look could be taken at the adequacy and suitability of the balance of payments support facilities available from the International Monetary Fund. Data for 1975 show that despite the difficult situation in which they were placed during that year, only a tiny handful of developing countries took advantage of Fund facilities beyond the first tranche. Moreover, it is clear that the improvements agreed upon by the Fifth Meeting of the Interim Committee of the Fund would have only a marginal effect on the present situation. In general, the results achieved in Kingston fell far short of expectations in providing additional financial resources for the developing countries, whether by way of compensatory financing, gold sales, or the creation of a link between SDRs and development finance.

Financial Measures

9. In any event, the creation of financial facilities is one thing, their utilisation another. An examination of the role being played by the International Monetary Fund will show that over the years it has extended its activities and diversified the facilities which can be availed of by members facing balance of payments difficulties. In particular, in the last two or three years the Fund has shown adaptability to changing circumstances. But the fact is that developing countries have been making little use of the Fund's facilities, even when many of them have had to face severe strains on their payments position. The terms and conditions under which member countries can borrow from the Fund under the various facilities and the fact that all borrowings are related to the quota holding of the member and not dependent on urgency or extent of need are largely responsible for this. We would, therefore, recommend that an immediate review be undertaken by the Fund in consultation with its members to assess the factors which have stood in the way of greater utilisation of Fund facilities by developing countries and to suggest specific amendments including discriminatory treatment in favour of least developed and most seriously affected (MSA) countries, which would make the Fund a more effective agency in meeting the emergent needs of developing countries.
10. It is of course understood that the balance of payments support facilities at present available are intended merely to provide a breathing space for countries to tackle disequilibria which might be structural in nature. Since the balance of payments problems of developing countries tend to be of this character, we see improved access to existing Fund facilities as only part of a larger package of measures for dealing with the basic problem. We therefore envisage a wider role for the Fund in, for example, extended compensatory financing, which we deal with later in this report.
11. The second component of the package should be an increase in ODA. International development requires of the developed

countries only a marginal allocation of their resources to the developing countries in the form of ODA. The Interim Report estimated that the provision of net ODA to the amount of 1 per cent of GNP by 1980 would require an increased ODA contribution of only some 5 per cent of the amount by which they may reasonably be expected to grow richer between 1975 and 1980. It is a matter of considerable concern that over recent years, however, ODA as a percentage of GNP has declined. The developed countries would be demonstrating the commitment to international development which they reaffirmed at the Seventh Special Session, if they implemented the ODA target of 0.7 per cent of GNP immediately. We urge them to recognise that the amounts devoted to aid, even at higher levels, do not significantly affect their domestic problems, and that they should insulate their aid-giving efforts from the requirements of domestic economic management.

12. Beyond this, we urge that the international community take action on the following specific matters:-

- (i) A large and immediate replenishment of the IDA;
- (ii) Improving the borrowing capacity of the World Bank, and increasing the resources available to the regional development banks, so that at the very least they could all continue their present levels of lending in real terms;
- (iii) The exploration of new arrangements, including mobilisation of the efforts of the centrally-planned economies, to supplement the contributions being made by existing international institutions towards the growing financial requirements of the developing countries.

13. A third area where immediate action can be envisaged is Debt Relief. We believe this subject to be of such importance that we are devoting a separate section of this Report to it, since it represents one of the areas where very quick assistance can be given to the developing countries. In this introduction, we wish merely to draw attention to the fact that the present debt problem is alarming both in its proportions and in its implications. If immediate action is not taken to deal with this problem it could well lead to the progressive breakdown of the private capital market, at least as far as many developing countries are concerned. Our hope is that longer term measures for strengthening the viability of the economies of the developing countries would provide the ultimate solution to the problem. However, in the short term, special measures are needed for providing relief especially to the most seriously affected and the least developed.

Non-Financial Measures

14. Fourthly, financial measures must be complemented by trade measures designed to safeguard and increase the export receipts of the developing countries. Commodity arrangements and access to markets are of the highest importance. Sufficient preparatory work has now been done by UNCTAD and other international agencies, as well as by governments, to permit

of agreement on a comprehensive action programme. We dealt with the subject of commodity policy in our Interim Report, but we consider it of sufficient importance to warrant our further attention on this occasion.

15. Finally, no package of immediate measures would be complete without components directly designed to accelerate longer-run development and structural transformation in the developing countries. Only these latter processes can yield lasting solutions to the underlying problems which create the balance of payments difficulties now being experienced. We did not highlight the fundamental problem of unemployment in our Interim Report. But in the circumstances facing the developing countries, the level of employment represents a more meaningful indicator of development and structural change than the level of GNP per capita. To that extent, employment-oriented strategies, programmes and projects constitute a vital part of the thrust towards greater development in the Third World.
16. We see therefore an important part for policies aimed at deepening development in the key productive sectors, and at increasing their employment creating capacities. Thus, we gave considerable attention to food production in our Interim Report, and re-affirm our support for the programmes of action then proposed. On this occasion, we intend to address ourselves to the manufacturing sector, and in particular to policies and programmes for industrial co-operation. We do not, however, see food and agricultural development, on the one hand, and industrialisation, on the other, as separate, let alone antagonistic, forms of development. They must be pursued with parallel priority so as mutually to reinforce each other.
17. As we observed in our Interim Report, the solution of the problem of development rests largely upon the developing countries, who must make intensified efforts at self-reliance involving the effective use of local endowments and opportunities. However, if these efforts are to be effective and productive, the international economic environment must not confront them with unsurable obstacles. A new international economic order should provide the appropriate external economic environment, so that maximum scope can be given to exercising the initiative and resourcefulness which the developing countries clearly have, and which will generate true development of a kind to which the world as a whole is now committed.

SECTION 2 COMMODITY ARRANGEMENTS

New Developments

18. Commodity matters were discussed in considerable detail at the Ottawa meeting of the Group and our views are set out at some length in the Interim Report. There are however new developments which make continued attention to commodity problems unavoidable, especially in view of the importance of commodity earnings and the proper organisation of commodity markets for the economies of developing countries and progress towards a new international economic order.
19. The prices of the principal commodity exports of the developing countries (excluding fuel) have fallen sharply since the peak period of March-April 1974, and although prices rallied to some extent in the latter half of 1975, estimates by the UNCTAD Secretariat show a fall of 17 per cent in 1975. If these prices are deflated by the UN index of prices of manufactures the real fall is estimated at 30 per cent; and a comparison of available data on the import prices of developing countries shows that this index greatly understates the real fall.
20. There is clearly an urgent need for early decisions on a comprehensive package of commodity policies.

The Integrated Programme

21. We expressed the view in our Interim Report that the integrated programme recommended by the Secretary-General of UNCTAD represents a major sustained and comprehensive attack on the commodity problem. We urged then the acceptance and implementation by the international community of a programme on these lines. It is now necessary to translate concepts into concrete action. Accordingly, we believe that no useful purpose can be served by further debate on the respective merits of the integrated programme versus the commodity-by-commodity approach. The distinction between these two approaches can be easily exaggerated, since the integrated programme itself provides for the negotiation of individual commodity arrangements. What is important now is to get international negotiations going on as many commodities as possible, taking into account the elements of the integrated programme proposed by the Secretary-General of UNCTAD, and backed up by concrete arrangements for the necessary finance. We urge the international community to turn its attention to an action-oriented programme along these lines.

International Buffer Stocks

22. Ready access to funds for international stocking would greatly facilitate the establishment and effective functioning of commodity arrangements for which buffer stock operations are

a suitable stabilisation mechanism. We noted in our Interim Report the review being undertaken by the World Bank and the IMF on buffer stock financing. Unfortunately, no scheme has yet emerged in spite of wide attention and agreement in the international community on the need for international buffer stock schemes.

23. We urge the World Bank and the IMF to adopt early and clear policies of support for direct lending to buffer stock schemes or indirect lending through a common financing scheme. In addition we recommend that the IMF Buffer Stock Facility should abolish the balance of payments criterion for providing loans to governments to meet their financial obligations to buffer stock schemes since we regard this as an inappropriate condition for this type of drawing, and that drawings under this Facility should be fully additional to those under the other facilities of the Fund.

Compensatory Financing

24. Since the publication of the Interim Report, new proposals have been put forward to extend the scope of compensatory financing.
25. In that Report we saw compensatory financing as playing an important role in commodity stabilisation policy. In view of the comprehensive and immediate effect of a compensatory financing scheme, its special advantages in relation to commodities which are not easily amenable to price stabilisation arrangements, and the delays that are possible in negotiating a large programme of arrangements for individual commodities, we see compensatory financing as having an urgent role in the short run and a substantial role normally; but we would re-emphasise that compensatory financing should be complementary to price stabilisation arrangements.
26. We had recommended changes in the IMF Compensatory Financing Facility. In December the Facility was revised. We welcome the liberalisation that has taken place, but we feel that the Facility is still inadequate to meet the expanding needs for compensatory financing. The extent to which export shortfalls of developing countries are met by the IMF Facility is still very small in relation to the present decline in real export earnings or to the balance of payments problems of these countries.
27. We have given close consideration to further improvements that are required in compensatory financing. We have already referred to limitations in the IMF framework in dealing with development needs and the special problems of particular groups of countries; but there are also dangers in duplicating functions, and we urge efforts to make rapid progress by building on the recent modest achievements rather than considering new institutional arrangements at this stage.
28. Although the Facility has only been recently revised, we see

reform as a continuing process and note that the IMF has agreed to review the whole operation of the Facility when experience and developing circumstances make this desirable, and certain aspects in any case before the end of March 1977. The possibility of early changes also arises from the fact that the joint Bank/Fund Development Committee will be giving priority attention to the problems of unstable commodity prices and the stabilisation of export earnings. We recommend most strongly that every opportunity be utilised for considering improvements to the present Fund Facility.

29. The terms we recommend for urgent adoption are: methods of calculating shortfalls that would reflect adequately expected growth in real earnings; extending shortfalls to include where appropriate invisible earnings; compensation for the entire amount of a shortfall; the conversion of loans into grants or soft loans after a specified period; a high level of concessionality to the least developed and most affected countries; and repayments from the excess of export earnings over the norm. These conditions would only be available to the developing countries, and will not affect the access of other countries under the terms of the existing Facility.
30. If development efforts are not to be frustrated, developing countries must be able to plan on the expectation of stable growth in their export earnings. This requires not only full compensation for nominal shortfalls, but also measures to support the maintenance of real earnings. Accordingly, we recommend that the quota limitations of the Fund Facility be eliminated, and the other restrictive conditions on access be relaxed.
31. We strongly support the introduction of special concessional measures into the Fund Facility in favour of the least developed and most seriously affected countries.
32. It seems probable that the funds required by a facility with the features we have recommended could be met from the normal resources of the IMF. Should this however not be the case, the IMF should be able to raise required additional funds by special arrangements, including the allocation of SDRs, for meeting the requirements of compensatory financing.
33. The detailed changes recommended are as follows:
- (i) Eligibility ;
Drawings should be for shortfalls in total visible real export earnings, including in appropriate cases specified invisibles e.g. tourism. The shortfall would be calculated on the same basis as before December 1975 except that the maximum

forecast estimate of earnings for the post-shortfall years would be raised from 10 per cent to 20 per cent over the value for the two pre-shortfall years.

A country's shortfall in real export earnings should be calculated after adjustments are made for changes in the prices of its imports.

(ii) Extent of Drawings

Drawings should cover the shortfall in export earnings.

(iii) Repayment

For the least developed and MSA countries drawings should take the form of grants or IDA-type loans.

Repayments for other countries should be made within a five year period from the excess of export earnings over the norm for that year calculated on the basis of real earnings as in the case of shortfalls. Any balance outstanding at the end of this period should be converted into a grant or an IDA-type loan.

Net Importing Countries

34. We gave further consideration to the issue of the effect of the integrated programme proposed by the Secretary-General of UNCTAD on the net commodity importing countries. We reiterate the support we gave in the Interim Report to remedial compensatory financing arrangements, the granting of rebates, and in appropriate cases concessionary sales from buffer-stocks. The improvements we have proposed with respect to the IMF Facility would to a considerable extent also accommodate net importing countries.

Market Structure

35. In the case of many mineral and agricultural commodities exported by developing countries, there is a concentration of ownership or control in respect of distribution and marketing or in the various stages of processing. Several stages of the processing and marketing of such products are in the hands of a few large corporations which are wholly or mainly owned by nationals of developed countries.
36. There is a sizeable spread between the prices received by producers of the raw materials and those paid for the final products whether in unprocessed or processed form. The developing countries could secure a larger share of the proceeds through co-operation among themselves in negotiations with the companies involved, and by the establishment of their own transport and marketing facilities.

37. As far as processed products are concerned, a larger share for the developing countries would involve their undertaking more down-stream operations locally and greater participation by them in down-stream operations located abroad.
38. Much more information is needed on the marketing situation and on economic and technical feasibility, before specific policies can be devised to suit the special characteristics of each commodity. Some studies have been attempted by the UNCTAD Secretariat. We recommend that these studies should be continued and urge the companies concerned in the developed countries to co-operate fully.
39. The encouragement of down-stream operations locally, and the participation of developing countries in partnership ventures in these operations, could be helped by greater support for these activities by regional and international lending agencies; and the latter should adapt their policies to encourage greater local ownership and participation. The financing of national stocking could also help to improve producer returns. Local restrictive practices legislation, and international codes of conduct on transnationals and the transfer of technology, could assist in encouraging down-stream operations and in providing higher returns to developing producing countries, by the discouragement of restrictive transfer pricing and market sharing arrangements and by promoting the transfer of technology.
40. It is often the case that the interests of the developing producing countries are similar to those of consumers in the developed countries. Governments in the latter should recognise this in the development of their legislation on restrictive business practices. This requires attention not only to pricing policies and market margins, but also to regulations on advertising and trade description.
41. Keeping in view the considerations stated above, we urge the international community to assist the developing countries to secure a larger share of markets, distribution and processing.

Investment in Raw Material Production

42. A sustained increase in investment in the exploration for and production of non-renewable mineral resources is necessary if the present and future world demand for these materials is to be satisfied. A large proportion of this must be made in the developing countries. By far the greatest share of the supply produced by the developing countries is now required by the developed countries, but we wish to point out that the developing countries must include in their investment planning in these fields the satisfaction of both the demand from the developed countries and their own future development needs. The provision of investment funds for these countries must therefore have regard to both these needs.

43. We pointed out in our Interim Report that mining and extraction costs have been increasing because of both sharply rising prices of the capital equipment and other inputs purchased from the industrialised countries and the need to explore lower yielding grades and strata of mineral resources. Further, developing countries are now set firmly on a course of securing greater control over the ownership and exploitation of their natural resources, a process which we fully support. If the world is to assure itself of an adequate supply of essential mineral resources produced in the developing countries, it must have full regard to both these factors, and it is for this reason that we stress that new partnerships and arrangements between capital, technology and natural resources will be necessary.
44. In our view, the heart of the investment problem is the question of the price level and the price expectation for the output. It is highly unlikely, to say the least, that a durable solution can be found for securing the required flow of investment in infrastructure and in the production and ancillary facilities unless pricing arrangements give the necessary assurance of continuing remunerative prices to the producers which provides them with confidence in the future. The commodity arrangements which we supported earlier are therefore crucial.
45. The World Bank and Regional Banks: We endorse the call made at the Seventh Special Session for the World Bank - and we include also the regional development banks - to be empowered and assisted to raise each year the additional funds required for investment in infrastructure and other facilities associated with new production of raw materials in the developing countries. We urge these institutions to adapt their policies to the new development strategies being employed and in particular to assist the governments of the developing countries in meeting their share in joint operations and in financing effective local participation in activities directly and indirectly related to mineral and other raw material production.
46. The International Finance Corporation: We strongly recommend that, parallel with the provision of an enlarged equity base for the International Finance Corporation, the charter of this agency should be amended to enable it to participate, through the provision of loans, equity and guarantees, in commercially oriented producing enterprises in the developing countries regardless of their pattern of ownership.
47. The UN Agencies: We see an important role for the UN agencies in supporting pre-feasibility studies and exploration work. We welcome the establishment of the UN Revolving Fund for Natural Resources and urge the developed countries

and the OPEC countries to provide the very tiny fraction of their resources which this agency will require if it is to be an effective force in safeguarding future world supply.

48. We are convinced also that all multilateral technical assistance agencies could improve their effectiveness by structuring their activities so as to be able to assist the developing countries in exploring new mineral resources, and we urge that they take appropriate steps to undertake such functions on an enlarged scale.
49. We welcome the fact that progressive transnational enterprises are evolving new forms of partnership to operate in developing countries. These new forms, such as joint ventures with varying proportions of equity, service and management contracts, and long-term purchase agreements involving financing, can provide an efficient vehicle for the continued supply of investment funds for raw material production in the developing countries. We urge both those developing countries which allow foreign investment in these sectors and the developed countries to support this evolution of productive capacity. In particular, we see the need for the developing countries to improve their negotiating and decision-making capabilities to avoid future friction and costly delays, and for the developed countries to continue to provide existing incentives and other forms of support and to adapt them to the changing conditions of partnership with the developing countries.
50. We believe that the centrally-planned economies, in support of their stated commitment to international development, should be expected to provide expertise, investment funds and other forms of support for the exploration and production of raw materials in the developing countries.

The International Sea-Bed

51. We share the view that the international sea-bed and ocean-floor will be an important source of essential raw materials in the future. We believe that the developing countries should receive a substantial share of the benefits to be derived from the exploitation of the international sea-bed and ocean-floor resources. We are of the view that the international organisation to be set up for managing the resources of the sea-bed and ocean-floor which is under consideration at UNCLOS III, should be provided with adequate and secure funds for discharging its functions.

SECTION 3 EXTERNAL DEBT

The Nature of the Problem

52. In our Interim Report we drew attention to the serious burden which the external debt* outstanding at the end of 1973, estimated at about \$120 billion, has created on the continuing development of a number of developing countries. While the total debt has been growing for a number of years at an accelerated rate, its composition has also been changing, with a more rapid growth in private capital flows, particularly private bank credits, which has resulted in a more pronounced acceleration in debt service payments than in outstanding debt. In 1973, debt service payments by developing countries thus reduced by nearly half the gross transfer of financial resources to these countries.
53. More recent estimates indicate that these trends in the size and composition of external debt have been further accentuated. As we have already noted, the economic situation of non-oil developing countries has deteriorated markedly in the last two and a half years, thereby eroding seriously the base from which to service foreign debts. At the same time, widespread increases in current account deficits have led a number of developing countries to offset the deterioration in their balance of payments by borrowing significant amounts from private capital markets. As we have already observed, this acceleration of short-term borrowing has serious implications for the external financial position, continued credit-worthiness, and future development of these countries. Difficulties in servicing external debt have already become acute in some cases and may become more difficult for others in future, because of the necessity of financing large balance of payments deficits.

Categories of Affected Countries

54. As developing countries make use in varying degrees of different types of borrowing, the extent and nature of the debt servicing problem differs considerably from country to country. Also, the adverse economic factors operating in more recent years affected some countries more than others. However, two categories of countries can be identified as having particularly serious debt servicing problems in the current situation. First, there are the very poor and the most seriously affected countries where the increases in their balance of payment deficits have been of such magnitude in relation to their economic strength, that they are facing acute

* Not including private debts without public guarantee in the debtor countries. 1973 is the last year for which relatively comprehensive data, even under this partial definition, are available.

problems in meeting their external debt obligations while at the same time attempting to maintain their development effort. These include some of the MSA countries which have been forced only recently by lack of alternatives to borrow in short and medium term private markets. It should be noted that lower income countries rely largely on official and multi-lateral sources of credit.

55. The second group consists of developing countries which have increasingly relied for some years, as mentioned above, on commercial borrowings to meet a significant portion of their balance of payments deficits, but now face serious debt servicing problems due to the increase in the size of deficits and the consequent accelerated borrowing in the last two and a half years. Their problem is that of finding additional resources to finance the larger deficits required to protect their development effort as well as to maintain their credit-worthiness in the market.

Need for Urgency

56. To the extent that new mechanisms are established for effecting a larger transfer of resources to the developing countries on a continuing and less onerous basis, the debt problem would tend to diminish. We consider that, since several of the measures for a larger resource transfer now being examined will require much time before they can become effective, it is extremely important that specific and immediate steps be taken to provide debt relief. In order to assist the developing countries in dealing at least with the most pressing strains of debt servicing, we suggest the following proposals for urgent and speedy implementation.

Official Debt

57. As an extension of the policy of some donor countries to provide ODA to the poorest countries only in the form of grants, we support the proposal that ODA related debt owed by these countries should be converted into grants. It should be noted that if all future ODA to these countries were to be given in the form of grants, the conversion of past ODA loans into grants would be a once-for-all measure to provide much needed relief in the current critical economic situation of these countries.

Private Debt

58. We recommend that the IMF should provide in appropriate cases, at the request of and in consultation with the debtor country, credit facilities to meet debt servicing payments in respect of short term and medium term private debts in order to provide the increased balance of payments support required in the current situation and to protect the development programme of the country concerned. In view of the fact that many developing countries have not yet used a relatively large proportion of the credit facilities which are available from the IMF, we believe that the extension of additional IMF credit

for this purpose under appropriately liberal conditions could be accommodated for the present within the existing IMF resources.

Institutional Arrangements

59.

In view of the urgency of the problem, we also believe that, notwithstanding any consideration by the international community of more suitable machinery for debt rescheduling, the following improvements in the existing arrangements should be undertaken immediately. The IMF, either jointly with the IBRD or in consultation with it, should be clearly identified as responsible for convening a meeting of creditors at the request of the debtor country, in order to find solutions for the debt problems of the country concerned. The IBRD should use existing consortia and consultative groups, in addition to their customary purpose, to find solutions for debt problems. We wish also to emphasize that the international agencies, particularly the IBRD and IMF, should take steps, including appropriate assistance to debtor countries, to ensure that development needs are taken into account in all debt re-negotiations.

60.

We stress that the treatment of the debt servicing burden of developing countries in these ways should not reflect adversely on their creditworthiness. On the contrary, it should be seen as a timely contribution towards strengthening it. It should also be recognised that it is in the mutual interest of both debtors and creditors to avoid the danger of widespread defaults.

SECTION 4
INDUSTRIAL CO-OPERATION

61. We emphasised in our Interim Report that the accelerated development of manufacturing activities in the developing countries must be an essential part of a new international economic order. Manufacturing and processing activities are crucial to development not only because they are a prerequisite for modernising agriculture and satisfying basic human needs but also because of their contribution to the creation of employment. The reality facing the world is that, over the next 25 years, 1000 million more people will be added to the labour force in the developing countries. Only significant and sustained industrialisation can provide directly and indirectly the new jobs required. Our observations should be seen against the background of the Lima Declaration and Plan of Action on Industrial Development and Co-operation, as endorsed by the Seventh Special Session of the UN General Assembly, which called for an increase in the share of developing countries to reach at least 25 per cent of world industrial production by the year 2000, while making every endeavour to ensure that the industrial growth so achieved was distributed among the developing countries as evenly as possible.
62. We recognise that industrialisation is a complex process requiring changes in social attitudes and traditional methods of doing things; and that the developing countries are at different stages of growth and have varying capacities to absorb and sustain industrial growth. These diversities require a selective approach in formulating programmes for industrial co-operation not only between developing and industrialised countries but also among developing countries themselves. Indeed there is a great potential still untapped for industrial co-operation between developing countries particularly between the less industrialised developing countries and those with substantial manufacturing sectors.
63. It is clear to us that industrialisation on a significant scale is only possible if the political will exists in the developing and developed countries, including the centrally planned economies, to search jointly for and provide solutions to problems which individual countries will meet in their efforts to industrialise. Given the political will, it should be possible to supplement inter-governmental co-operation by fully harnessing the resources of international institutions and private organisations. The objectives must be to strengthen the capability of the developing countries individually and collectively to create new jobs and incomes through diversifying the industrial base, and generally to assist these countries in installing the production and supporting facilities for sustained growth in manufacturing.

Developing Countries

64.

The developing countries bear the primary responsibility for industrialising their economies and laying the foundations for sustained self reliant development and growth. They must establish priorities appropriate to their own circumstances, consistent with the satisfaction of basic needs, the deepening of the industrial structure and the optimisation of foreign exchange earnings, and specify the modalities by which they desire to achieve their goals. In particular they should:

- (i) Improve their machinery for mobilising internal and external resources for industrial development. This might also require the introduction of policies to influence consumption patterns;
- (ii) Develop their own indigenous capability through effective institutional mechanisms, including the establishment of training and research centres for the adaptation, development and diffusion of appropriate technology;
- (iii) Take positive steps to expand the markets available to them, both through aggressive export promotion and through active steps to promote regional and inter-regional integration, including the establishment of jointly owned industries.

Objectives of Industrial Co-operation

65.

We recognise, however, that even with the best efforts to mobilise resources, these countries will encounter severe constraints. The international community will also need to be involved by way of properly structured bilateral and multi-lateral programmes designed to remove these constraints and sustain the momentum of growth and development in industry in the developing countries. In order to assist these countries to realise their industrial potential to a maximum, programmes of industrial co-operation should be designed with the following objectives:

- (i) To strengthen the capacity of the developing countries to identify and formulate their industrial programmes;
- (ii) To facilitate the transfer of technology and management skills and the development of indigenous technology and skills in the developing countries;
- (iii) To secure additional financing required for both direct investment and infrastructure related to industrial development; and
- (iv) To facilitate access to markets for the manufactured goods produced.

Industrialised Countries

66.

Industrialised countries have frequently expressed willingness to co-operate in facilitating the industrialisation of the developing countries. At the inter-governmental level, agreements such as the Lomé Convention or bilateral arrangements have provided a framework for industrial co-operation. Most industrialised countries also have a number of national programmes designed to encourage industrial development in the developing countries. But the impact of these efforts has so far been peripheral. Unless there is a considerable improvement and intensification they will not provide the required minimum critical support which the developing countries require in their efforts to develop an adequate industrial base. Industrialised countries have shown concern about the distribution of industry within their own countries, and the time has come when they should demonstrate greater determination for a more equitable distribution of the world's industrial capacity.

67.

The governments of the industrialised countries can contribute to the objectives set out above both through the removal of existing restrictions and obstacles and by adopting positive new measures. As far as investment is concerned, what we have said above in relation to investment in raw material production is equally relevant here: indeed the arrangements envisaged in Section 2 for the development of raw materials are essentially one example of what we are proposing in this section. Additionally, we urge the governments of the industrialised countries to:

- (i) Remove speedily and effectively restrictions on the imports from the developing countries, whether in the form of tariff or of non-tariff barriers such as quantitative restrictions, "voluntary" restriction schemes and fiscal charges. This applies particularly, but not solely, to products resulting from the processing of developing countries' raw materials. The slow progress made in the Multilateral Trade Negotiations is regrettable. It should not be the occasion or the cause for overlooking the special interests of the developing countries or delaying effective action to improve their access to markets of the industrialised countries:
- (ii) Accept, and provide for the consequences of, the fact that the relocation of some industries or parts of industries to developing countries is an essential, inevitable, continuous and desirable element in a new economic order, and one which is in the long term interest of developing and developed countries alike. To promote this objective, appropriate programmes of adjustment measures will be necessary and they should be devised and implemented.

As well as refraining from obstructing this mutually beneficial process, industrialised countries should take positive steps which could make a significant impact on the pace of progress in the developing countries. Among other things they should:

- (i) Along with a review of their patent laws, support early implementation of schemes to improve the information system available to the developing countries including the establishment of data banks on technology and technical investigations;
- (ii) Expand the capacity of existing mechanisms and create new ones for industrial co-operation, and ensure that these institutions focus their activities principally on accelerating the industrialisation of the developing countries in a manner consistent with the plans and objectives of these countries. In this connection, we note that some countries have already established public enterprises to invest and to act as a catalyst for other investment in the developing countries. We urge the industrialised countries to review the adequacy of the mechanisms available to them, including those for investment insurance, export credits and guarantees, pre-investment studies, information facilities for potential investors and tax incentives, with a view to expanding and improving them;
- (iii) Re-examine their aid programmes and priorities to see how these can be re-adapted in order to have a greater impact. We reiterate our view that the way in which aid should be used by a developing country and the priorities employed in its disposal should be determined by the recipient country rather than attached to particular uses by the donor. Nevertheless, we wish to draw attention to the recommendations we made in the Interim Report that high priority should be given in aid programmes to the early establishment of training and research centres aimed at the indigenous development and adaptation of technology. We also urge that the terms and conditions of loans to developing countries for their imports of capital goods and equipment should be appropriate to their economic circumstances; such loans should also cover a portion of local costs to facilitate the adaptation of imported technology. In particular, we urge special and early action to support integration industries in the developing countries.

Centrally Planned Economies

The centrally planned economies exercise closer control over their markets and this gives them, in some respects, a rela-

tive advantage to assist the developing countries through allocating some of their industrial activities to these countries and at the same time assure them a market for the output. Some of the centrally planned economies are also well placed to provide a type of technology suited to the needs of the developing countries in certain industries. We recommend that bilateral arrangements between the centrally planned economies and developing countries should be used to harness these and other advantages which can contribute substantially to the goal of improving the industrial capability of the latter.

OPEC Countries

70. The resources of the OPEC countries have enabled them to provide a part of the foreign exchange which the developing countries require for their development programmes. We urge them to continue to do this, utilising in the process existing and new financial institutions where the establishment of the latter will deepen co-operation between themselves and the developing countries. They are also in the process of transforming their own economic structures. We urge the OPEC countries to give maximum effect to the principle of complementary development with developing countries, as it can represent, in our view, the optimal way of recycling oil funds in the interests of the whole international community.

Transnational Enterprises

71. We recognise that the activities of some transnational enterprises have caused suspicion and doubt in the developing countries. The size and character of these enterprises in relation to many national economies are a source of considerable uncertainty for developing countries in negotiations with them. But we also recognise that transnational enterprises can have a positive role to play in the industrialisation process of the developing countries, because of their command over finance, technology and access to markets and their capacity to plan, establish and manage complex operations.
72. Against this background we recommend that more substantial efforts be made by the international community to assist the developing countries in their negotiations with transnational enterprises. Further, to enable the developing countries to avail themselves of the resources of the transnational enterprises in a manner consistent with their aspirations, we agree on the need for appropriate codes of conduct governing the activities of these enterprises and the trade in technology which they substantially control. We believe that the contribution of the transnational enterprises would be deeper and longer lasting if they undertook an appropriate share of their research and development activities in the host country, and employed and trained nationals and gave them access to training and research facilities in their central research and development operations. These would be important ways in which the corporations could support the

activities of national scientific authorities in furthering their indigenous research and development efforts.

73. We urge UNCTAD IV, and the Commission on Transnational Enterprises to inject a sense of urgency into the negotiation of appropriate codes.

International Agencies

74. We believe that the capacity of the many existing international agencies whose activities have a bearing on the industrialisation of the developing countries would be materially assisted if they were rationalised. We urge that in the context of establishing UNIDO as a Specialised Agency, the opportunity should be seized to review the existing arrangements with a view to avoiding excessive duplication and overlapping of functions among and within international institutions. UNIDO must be constituted to be an action oriented agency providing direct support for the industrialisation efforts of the developing countries. Its support should include strengthening the capacity of the developing countries to industrialise; establishing or organising access to technology data banks to assist the developing countries to acquire technology suited to their needs; responding to requests from developing countries to bring together representatives of government and industry from the developed and developing countries for particular industrial schemes; and promoting industrial co-operation, inter alia, through preparing models for bilateral agreement. We urge that the activities of UNIDO be decentralised to reach the individual developing countries, and that UNIDO establish regional consultative groups to monitor progress towards the target of industrial development accepted by the international community.

75. The international and regional financial agencies should increase their loans on terms and conditions which meet the circumstances of the individual developing countries, and should support financial and technical arrangements which would facilitate greater trade among developing countries. This would include the provision of refinancing facilities for export credits from one developing country to another and support for regional safety nets (mutual balance of payments support arrangements) introduced by developing countries. The capabilities of these institutions must therefore be enlarged and in this connection we reiterate our recommendation made in Section 2, that urgent action be taken to increase the capital of the World Bank; and to amend the charter of IFC and increase its resources to enable it to lend to industrial enterprises in the developing countries regardless of their form of ownership.

Bilateral Arrangements

76. We see a need for specific bilateral agreements which will spell out the responsibilities and obligations of governments and industry and establish machinery and institutions for

effective implementation. There is evidence that the industrialised and developing countries are prepared to enter into such bilateral agreements. The way ahead therefore lies in taking immediate action to bring about these agreements and define the commitments which countries should assume.

SECTION 5
CONCLUDING OBSERVATIONS

77. If there is a single theme which runs through our recommendations it is that the need for action is so urgent that every effort must be made to promote it within existing institutions and arrangements rather than await the establishment of new ones. This will also give the international community the time to undertake the necessary reforms in existing institutions and arrangements. Indeed, we propose to give considerable attention in our final report to institutional questions, especially in the fields of trade and finance.
78. In regard to fundamental change itself, we see a need to include in our remaining work a thorough examination of evolving patterns of international economic relations, especially among the developing countries themselves. Apart from the mutual advantages which can flow from closer economic co-operation, an intensification of economic ties between developing countries would in many fields be an effective pre-condition for more satisfactory relations between developing and developed countries. Likewise, we would hope to examine more systematically than we have done up to now the development of relations between the developing countries and the centrally-planned economies.
79. On the whole, the programmes of practical measures which we have so far proposed, must be seen as a pragmatic response to a grave and urgent situation rather than as a reflection of any basic attitudes about the character and pace of change. We remain persuaded by the view that a new international economic order if it is to bring real development to the developing countries cannot be achieved without basic institutional reforms.

MEMBERS OF THE COMMONWEALTH GROUP OF EXPERTS

H. E. Mr. Alister McIntyre (Chairman), Secretary-General of the Caribbean Community.

Professor A. D. Brownlie, Chairman of the New Zealand Monetary and Economic Council; Professor and Head of the Department of Economics, and an Assistant Vice-Chancellor, of the University of Canterbury, New Zealand.

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H. E. Mr. L. A. H. Smith, Canadian High Commissioner to Barbados, and High Commissioner to Grenada and Commissioner to the West Indies Associated States and Montserrat.

Mr. A. D. Hazlewood (Secretary), Commonwealth Secretariat.

Mr. Q. S. Siddiqi (Assistant Secretary), Commonwealth Secretariat.

* Mr. Golt succeeded Sir Donald Maitland as a Member of the Group in December 1975.

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Statements and Speeches

No. 75/6

THE CONTRACTUAL LINK -- A CANADIAN CONTRIBUTION TO THE VOCABULARY OF CO-OPERATION

Remarks by Prime Minister Pierre Elliott Trudeau at the Mansion House, London, England, on March 13, 1975.

My Lord Mayor, Your Excellencies, My Lords, Ladies and Gentlemen,

This is an eventful day for me, and one of great honour. An hour or so ago I was granted the freedom of the City of London. Now I am given the opportunity to speak to a distinguished audience in this historic chamber, a room that twice heard the voice of one of the great figures in Canadian history, Sir Wilfrid Laurier, shortly before and shortly after the turn of this century.

These are moving events, these appearances at the Guildhall and Mansion House, and of great significance. Not significant because they are happening to me. Nor even, in my view, because of their form or their antiquity. They are significant because they take place here, in Britain. In no other country in the world has the conception of "freedom" been so debated, its meaning so extended, its practice so protected.

To be a free man anywhere is a condition of great moment, but to be a free man in England -- to breathe Lord Mansfield's pure air -- is more; it is an exhilarating experience.

Through the centuries, man's quest for freedom has varied in its focus as tyranny has assumed new forms and threatened from new quarters. On one occasion the tyrant has been the Crown; on another, the Church. At one moment, the threat proceeded from a domestic source; at the next, it came from without the realm.

Throughout this tireless and changing pursuit of freedom, the attainments of the British people have become the standards against which men and women, world-wide, have measured their own accomplishments. The milestones of Magna Carta and Habeas Corpus, the Petition of Right and the Bill of Rights, have become models for societies everywhere; they turned the tide of battle in favour of the classical freedoms -- of speech, of conscience, of association, of assembly. Yet the result has not been permanent social tranquillity, in England or elsewhere. Nor should we be surprised. I doubt that any of those great observers of the English scene -- Bracton or Locke or Burke or Bagehot -- ever believed that

political freedom would not, and should not, be employed to seek the betterment of other aspects of the human condition. And such has been the case. Having established firmly the principle of the positive freedoms -- the freedoms "of" --, we now find ourselves involved in a struggle to establish with equal sanctity the negative freedoms -- the freedoms "from": from want, from hunger, from disease, from nuclear holocaust, from environmental degradation.

And we find that this struggle is more complex, more awkward, and more wide-ranging than we had thought possible. There is no single tyrant here -- no evil King, no zealot of the Church against whom we can focus our energies and direct our strategies. Equally, there is no immediate and identifiable challenge to our well-being that can be laid low with a single outburst of passion and courage -- no St. Crispin's Day, no Trafalgar, no Star Chamber advocacy. What involves us today is a struggle of far greater proportions, yet with far fewer handles for men and women to grasp. It is not the absence from the scene today of a Pitt or a Churchill that causes men and women to wonder in what direction humanity is pointed; it is the nature of the adversary. More than eloquence and more than leadership is required to come to grips with monetary imbalances, nutritional deficiencies and environmental pollution. Not a Shakespeare nor a Wordsworth nor a Kipling could translate into stirring words the requirements for commodity-price stabilization or nuclear non-proliferation. Yet these struggles are the essence of life on this planet today. They are not struggles that can be confined to a law court or a battlefield or a House of Commons; they require institutions and regimes of immense dimensions and novel attributes; they call -- in the final analysis -- for world-wide co-operation, for they demand that we struggle not against other human beings but with other human beings. They demand a common cause of humanity.

In this cause, we all -- Britons and Canadians -- have a vital role to play. We must not assume, however, that that role is dictated by altruism, any more than we should think of it as selfish. It is in our interest, as it is our obligation, to contribute our skills and our experience and our disciplines to the solutions of the immense problems that face mankind today and that threaten freedom in new and unprecedented ways. These problems will require of us decisions no less courageous and no less momentous than those faced by the barons of the early thirteenth century as they drafted Magna Carta. Yet those decisions, if wisely taken, will have an impact on the world no less startling and no less lasting than that of Magna Carta. For now, as in 1215, the world is ready for those decisions.

Professor J.C. Holt has written of Magna Carta: "The barons did not talk of free men out of loftiness of purpose, or make concessions to knights and burgesses out of generosity. They did so because the political situation required it and because the structure of English society and government allowed them to do no other."

It is my submission that now, 760 years after the event at Runnymede, the changes that must be incorporated into the international system can be justified in similar language: "The political situation requires it; the structure of world society and institutions allows us to do no other".

We have, at this moment in time, an opportunity to recognize and arrest the inertia that threatens to plunge all too many societies into a vast labyrinth of confusion and despair. The first step in that process is acceptance of two facts: the interrelationship of all countries, and the interconnection of all phenomena. The acceptance, in brief, of what each of the world's cultures has been proclaiming for centuries -- that we are all brothers.

Only recently has evidence emerged establishing beyond doubt that this brotherhood exists in the realm of actuality as well as in the realm of theology. The evidence is a product of human accomplishment. Man's past successes in removing so many of the great barriers of distance and time and mystery have created a world far different from that known in previous centuries, or in previous decades. It is different because those old barriers hindered more than migration. They defined the natural limitations of conquering armies, of famine and plague, of catastrophes, both natural and man-made.

Today those barriers are gone. There are no bulwarks behind which we can retreat in order to stave off or avoid calamity from abroad. And if there are any who believe otherwise, they are fools. Nations that are told that they can exist and flourish independent of the world are being misinformed. Leaders and opinion-makers who claim the existence of simple solutions to sweeping issues have forfeited their claim to office, be it in Whitehall or Fleet Street or Russell Square. Citizens who accept uncritically such siren songs are not discharging their responsibility as free men and women in democratic societies.

We are one on this earth. Each has the power to injure all others. Each of us must assume the responsibility that that implies. And each must understand that the nature of that injury is not ephemeral and it is not transient. It can be real and it can be

permanent. Co-operation is no longer simply advantageous -- in order to survive, it is an absolute necessity.

Yet ironically, and fortunately, it is this very situation that is so promising, as was a different situation so promising to clear-eyed men in 1215. Fearful though I am of the havoc that will be the inevitable result of continued selfishness and indifference, I am far from despondent, for I believe in the human quality of man's instincts and in the essentially rational behaviour of which he is capable.

Those instincts have lifted him from a solitary hunting animal to an intensely social being, aware of the advantages that flow from co-operation and from the sharing of tasks, aware of the benefits that follow when new structures are set in place to facilitate that co-operation. The history of mankind has been shaped in large measure by men and women who have acted as architects of social organization. Their works remain on view in the simplest villages and in the largest metropolises. Remaining as well for historians to assess are those accomplishments of international organization -- and the equally grand failures -- that have marked the past three decades. In many instances, these institutions are still too new, still not sufficiently formed, to permit final judgment. Even while pursuing the understandable, and altogether proper, desire for evolution and modification, the instinct that lay behind the original plan demands praise. One such example, and one such architect, is the Europe of Jean Monnet. Monnet's instinct, seasoned with his gift of foresight, fired the imagination of a generation of men and women. He gave fresh impetus to the age-old desire to fashion new techniques of co-operation, to erect new structures within which the ever-more-complicated tasks of society could be managed and discharged. The construction is far from complete, as we have seen this week, but the edifice is already so commanding in its presence that societies far distant -- of which Canada is one -- cannot disregard it. And so I have come to view it at first hand. On this occasion, as last October, Lord Mayor, I am in Europe to meet with heads of government of member states of the European Economic Community. I have conveyed to each of them, as I did to the European Commission in Brussels, the desire of Canada to enter into a contractual relationship with the Community -- one that would ensure that both the Community and Canada would keep the other informed, would engage regularly and effectively in consultations, would not consciously act to injure the other, would seek to co-operate in trading and any other activities in which the Community might engage.

We have described our goal as the attainment of a contractual link. Because we do not know -- indeed Europe does not know -- how far or how fast its experiment in integration will take it, or what form it will assume on arrival, no overall agreement can be laid in place at this time. But what can be done is to create a mechanism that will provide the means (i.e., the "link") and the obligation (i.e., "contractual") to consult and confer, and to do so with materials sufficiently pliable and elastic to permit the mechanism to adapt in future years to accommodate whatever jurisdiction the European Community from time to time assumes.

In each of the capitals I have visited I have been heartened by the willingness of governments to examine such a conception. Nowhere have I found it necessary to emphasize that Canada is not seeking preferential treatment or special advantages -- for this would be contrary to the GATT -- but only a guarantee of fair treatment at the hands of an economic unit rapidly becoming the most powerful in the world. In the interim since my visit to Europe last autumn, a series of exploratory talks has commenced with the object of constructing a framework within which formal negotiations will take place.

The extension in this fashion of co-operation among industrialized nations and the creation of co-operative institutions are important functions and necessary ones. Yet, however well-designed and sturdily-built, these structures will crumble away and be regarded by historians of the future with the same air of detachment now visited upon archaeological ruins if they are not extended still further and made global in their reach and in the distribution of their benefits. Happily, this very extension is now under way. There has been a step toward redemption of promises extended on several occasions that the European Community would not submit to the temptation and false luxury of looking only inward. In recent days, a historic agreement has been concluded between the community and a number of developing countries. This agreement is an admirable contribution to the resolution of the broad differences that currently exist in the attitudes of many of the developing and industrialized countries toward the international economic structure. The demands of the developing countries have been carefully formulated and powerfully articulated. They reflect a sense of frustration and anger. Those countries seek no piecemeal adjustments but a comprehensive restructuring of all the components -- fiscal, monetary, trade, transport and investment. The response of the industrialized countries can be no less well-prepared and no less comprehensive in scope. But we should be very wrong, and doing ourselves and our children a great

disservice, if we regarded this process as an adversary one. We should be foolish as well, for solutions are not beyond our reach.

The human community is a complex organism linked again and again within itself, and as well with the biosphere upon which it is totally dependent for life. This interdependency demands of us two functions: first, the maintenance of an equilibrium among all our activities, whatever their nature; second, an equitable distribution, world-wide, of resources and opportunities.

The proper discharge of those functions calls for more than tinkering with the present system. The processes required must be global in scope and universal in application. In their magnitude, if not in their conception, they must be new. Of their need none can doubt.

We know in our hearts what has to be done, even if we have not yet found in our minds the way it can be done.

Let us begin the search, and let us do so with boldness and with excitement, not with hesitancy and uncertainty. The past quarter-century of increased political independence, increased industrial development, increased commercial trade, and increased affluence was not the product of timid men. Nor will be the accomplishments of the forthcoming period of total interdependence.

The key, as in all accomplishments of worth, lies within the scope of individual men and women. It is found in their attitudes toward others. The role of leadership today is to encourage the embrace of a global ethic. An ethic that abhors the present imbalance in the basic human condition -- an imbalance in access to health care, to a nutritious diet, to shelter, to education. An ethic that extends to all men, to all space, and through all time. An ethic that is based on confidence in one's fellow man. Confidence that, with imagination and discipline, the operation of the present world economic structure can be revised to reflect more accurately the needs of today and tomorrow. Confidence that those factors that have the effect of discriminating against the developing countries can be removed from the world's trading and monetary systems. Confidence that we can create a trading order that is truly universal and not confined to or favouring groups defined along geographic or linguistic or ideological or religious or any other lines. Confidence that access to liquidity for trade and for development will not be restricted by factors other than those accepted by all as necessary in order to contribute to the health of the entire world system.

In the calculation of this new balance, we must aim for nothing less than an acceptable distribution of the world's wealth. In doing so, the inequities resulting from the accidental location of valuable geological formations should no more be overlooked than should the present unequal acquisition of technological and managerial skills. Nor should we be reluctant in encouraging those willing to help themselves. We must encourage and offer incentives to peoples who -- given the opportunity -- are willing to exercise self-discipline, to demonstrate tolerance, to work industriously.

The attainment of a goal of wealth-distribution does not require the replacement of the present international monetary system, nor does it require a wholesale abandonment of the trading mechanisms employed with such success in the past, which have brought unprecedented levels of prosperity to increasing numbers of persons in all countries in the world. It does require, however, imagination and ingenuity and hard work -- of the kind that brought forward the recent Lomé trade, aid and co-operation agreement between the European Community and 46 developing countries in Africa, the Caribbean and the Pacific, providing, among other things, for the stabilization of the foreign-exchange earnings of these 46 countries from 12 key commodities; of the kind that entered into the recent recommendations of the International Monetary Fund and the World Bank concerning floating exchange-rates, developmental assistance, extension of the decision-making process, enhancement of the role of the Special Drawing Rights, and study of the feasibility of international buffer stocks of primary products; of the kind that will be necessary if Britain and Canada are to discharge their proper responsibilities at the Commonwealth heads of government meeting in Kingston next month, and in the many other international gatherings in the forthcoming months at which economic issues will be featured.

We shall find ourselves well started on this process through the simple acceptance of several self-evident propositions:

- (1) The need for continuing and intensive consultation and co-ordination of national economic policies;
- (2) the need for steady movement in the field of multilateral trade negotiations, and early liberalization of tariffs and non-tariff barriers in the GATT;
- (3) the need for strengthening the political direction of the International Monetary Fund and the governing structures of other international agencies;

- (4) the need to implement with vigour decisions taken at the Stockholm Environmental Conference and the World Food Conference;
- (5) the need to make progress at the Non-Proliferation Treaty Review Conference and the next special session of the General Assembly on development.

These needs are all challenges, Lord Mayor, but they should not be regarded as the gloomy prospect of avoiding Doomsday. Properly met, they can be joyous opportunities, permitting the introduction into the world of a dynamic equilibrium between man and nature, between man and man. The challenge is a challenge of sharing -- food, technology, resources, scientific knowledge. None need do without if all will become good stewards of what we have. And, to ensure that, we must concentrate not so much on what we possess but on what we are and what we are capable of becoming.

What I dare to believe is that men and women everywhere will come to understand that no individual, no government, no nation is capable of living in isolation, or of pursuing policies inconsistent with the interests -- both present and future -- of others. That self-respect is not self-perpetuating but depends for its existence on access to social justice. That each of us must do all in his power to extend to all persons an equal measure of human dignity -- to ensure through his efforts that hope and faith in the future are not reserved for a minority of the world's population, but are available to all.

This responsibility rests on each one of us. It is not transferable. Its discharge is not conditional upon the acts or the omissions of others. It demands that we care, that we share, that we be honest.

In this "global village" we are all accountable.

None of us can escape the burden of our responsibility. None of us can escape the tragedy of any failure. Nor, happily, will anyone escape the benefit, the joy, the satisfaction -- the freedom -- that will accompany the discharge of that responsibility.

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HOUSE OF COMMONS

Issue No. 4

Thursday, November 6, 1975

Chairman: Mr. Maurice Dupras

SSEA

CHAMBRE DES COMMUNES

Fascicule n° 4

Le jeudi 6 novembre 1975

Président: M. Maurice Dupras

Procès-verbaux et témoignages

Minutes of Proceedings and Evidence
of the

Procès-verbaux et témoignages
du

Sub-Committee on International Development

Standing Committee on
External Affairs and
National Defence

Sous-comité sur le développement international

Comité permanent des
affaires extérieures et de
la défense nationale

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RESPECTING:

International Development

CONCERNANT:

Développement international

APPEARING:

The Honourable Allan MacEachen,
Secretary of State for External
Affairs

COMPARAÎT:

L'honorable Allan MacEachen,
Secrétaire d'État aux Affaires
extérieures

WITNESSES:

(See Minutes of Proceedings)

TÉMOINS:

(Voir les procès-verbaux)

First Session

Thirtieth Parliament, 1974-75

Première session de la

trentième législature, 1974-1975

[Texte]

The subcommittee will adjourn until 3.30 p.m., when the Hon. Allan J. MacEachen will be in attendance. Thank you.

AFTERNOON SITTING

• 1544

The Acting Chairman (Mr. Anderson): This afternoon we will resume consideration of the order of reference relating to international development. Appearing is the Honourable Allan MacEachen, Secretary of State for External Affairs. To his immediate right is Mr. McDougall, Director General of the Bureau of Economic and Scientific Affairs of the Department of External Affairs. I would like to call upon the Minister to make a statement at this time and then invite members to question him following his statement.

Mr. MacEachen, welcome to the Committee. It is always a pleasure having you,

• 1545

Hon. Allan Joseph MacEachen (Secretary of State for External Affairs): Thank you, Mr. Chairman. I have copies of the statement, if anybody wants to follow me. I would be glad to have them distributed. I regret I have not had them distributed beforehand but we are in an evolving situation and that may occur, Mr. Munro.

Thank you for your words of welcome, Mr. Chairman and members of the Committee. I welcome the formation of this subcommittee, and for two reasons. In the first place, Canada, like other wealthy nations, finds itself at a crucial point in its relations with the developing countries. After 25 years of what used to be called foreign aid we are facing a whole new set of circumstances calling for new solutions to new problems. The various options open to us all have far-reaching consequences, not only for our foreign policy but for our national life as well.

The second reason why I welcome the formation of this subcommittee is the broad mandate given it in the reference by Parliament, the reference of June 17. Not only is the Committee empowered to report upon the full range of international development policies but it is asked to do so with particular reference to the economic relations between developed and developing countries. Parliament has thus shown itself aware of the fact that international development co-operation encompasses an area beyond aid transfers and involves our entire relationship with developing nations. I shall come back to this point in more detail later.

In this initial meeting of the subcommittee I want to assure you of the full co-operation of the Department of External Affairs and of CIDA in the work of the Committee.

I wish today to speak about our development assistance program, about broader questions involved in our economic relations with developing countries and about the role of the subcommittee. The broad mandate given to this subcommittee is entirely appropriate as it reflects the growing sophistication and widening influence of Canada's international development co-operation from its modest beginnings 25 years ago.

[Interprétation]

La séance est levée jusqu'à 15 h 30 cet après-midi, où nous recevrons l'honorable Allan J. MacEachen. Merci.

SÉANCE DE L'APRÈS-MIDI

Le président suppléant (M. Anderson): Cet après-midi, nous continuerons à examiner l'ordre de renvoi concernant le développement international. Notre témoin sera l'honorable Allan MacEachen, secrétaire d'État aux Affaires extérieures. L'accompagne à sa droite M. McDougall, directeur général du Bureau des Affaires économiques et scientifiques du ministère des Affaires extérieures. J'invite le ministre à faire une déclaration et ensuite j'inviterai les membres à lui poser des questions.

Monsieur MacEachen, soyez le bienvenu au comité. Il nous fait plaisir de vous recevoir.

L'honorable Allan Joseph MacEachen (secrétaire d'État aux Affaires extérieures): Merci, monsieur le président. J'ai ici quelques exemplaires de la déclaration si vous préférez me suivre à la lecture. Je serai heureux de les faire distribuer. Je regrette de ne les avoir pas distribués auparavant, mais la situation évolue tellement vite qu'on n'a pu faire mieux, monsieur Munro.

Je vous remercie de vos gentils mots d'accueil, monsieur le président et messieurs du Comité. J'applaudis la création de ce sous-comité pour deux raisons. Premièrement, le Canada, comme tout autre pays riche, en est rendu à un point critique dans ses relations avec les pays en voie de développement. Après 25 ans de ce que l'on appelle « l'aide étrangère », nous envisageons une nouvelle conjoncture qui demande de nouvelles solutions à de nouveaux problèmes. Les différentes options qui nous sont ouvertes ont toutes des conséquences importantes, non seulement à l'égard de notre politique étrangère, mais aussi à l'égard de notre vie nationale.

La seconde raison, qui me porte à applaudir la création de ce sous-comité, est le mandat assez général que lui a donné le Parlement dans son ordre de renvoi du 17 juin. Non seulement ce Comité a-t-il reçu le pouvoir de faire rapport sur toute la gamme des politiques du développement international, mais on lui a aussi demandé d'étudier particulièrement les relations économiques entre les pays développés et les pays en voie de développement. Le Parlement s'est ainsi montré conscient que la coopération dans le développement international comprenait plus que de simples transferts d'aide, mais qu'elle englobait tous nos rapports avec les pays en voie de développement. Plus tard je discuterai de ce point en plus de détail.

A cette première réunion du sous-comité, je désire vous assurer de l'entière coopération du ministère des Affaires extérieures et de l'ACDI dans le travail du Comité.

Aujourd'hui, je veux parler du programme d'aide au développement, des grandes questions dans nos relations économiques avec les pays en voie de développement, et aussi du rôle de ce sous-comité. Il est juste que le mandat de ce sous-comité soit assez général, car il reflète la complexité croissante et l'influence grandissante du Canada dans la coopération internationale pour le développement, et depuis ses modestes débuts, il y a 25 ans.

[Text]

You will recall that the Canadian aid program began more or less as a family affair. After India, Pakistan and Ceylon shed their colonial status in the late nineteen forties an awareness soon emerged that political autonomy would be difficult to sustain without rapid and intensive economic and social development. In order to support that development Canada joined Britain, Australia, New Zealand and the three newly independent Asian countries in establishing the Colombo Plan. For eight years the Colombo Plan was Canada's only country-to-country aid program, and when other members of the Commonwealth also gained their independence Canada extended its support to them by mounting the Commonwealth Caribbean Assistance Plan in 1958 and the Commonwealth Africa Assistance Plan in 1960.

A year later the francophone aspect of our heritage and our bilingual character found expression in the launching of an assistance program for francophone African countries. This assistance was greatly amplified by a number of development projects identified in 1968 by the Chevrier mission.

Meanwhile Canada had turned its attention to Latin America by establishing a special Canadian fund in the Inter-American Development Bank in 1964, and in 1970 this program was augmented by one of direct bilateral assistance to Latin American countries.

• 1550

In 1960 the government of the day took note of the fact that aid programs are an integral part of Canada's foreign policy and are molded by the nature of the relationships between Canada and the recipient countries. The administration and operation of these programs were brought together under the supervision and control of the Secretary of State for External Affairs, and the External Aid Office was established.

The same decision established a senior interdepartmental committee now known as the Canadian International Development Board. We are now studying ways to enable the Board to play a more constructive role in co-ordinating the policies of the various departments involved in our development assistance program.

The growing complexity of the problems of developing countries made necessary a full review of our development assistance programs, a review which led to the publication on September 2 of The Strategy for International Development Co-operation 1975-1980. Our strategy is not so much an agonizing reappraisal of international development policy as an expression of a number of concepts and practices which have evolved from our 25 years of experience in development co-operation. World events have made more critical this re-evaluation of the purpose and nature of our relationships with the developing countries. Already in 1970 the foreign policy review suggested that the concepts of aid applied during the 1960s were not adequate for the coming decade. The strategy for 1975-1980 is not a rigid formula for development co-operation; it is designed to be responsive to the flow of events while maintaining the continuity so essential to effective long-term economic and social development programs.

[Interpretation]

Vous vous rappellerez sans doute que le programme d'aide canadien a commencé plutôt comme une affaire de famille. Quand l'Inde, le Pakistan, et Ceylan, abandonnaient leur statut colonial à la fin des années 1940, il est vite apparu que l'autonomie politique serait assez difficile à maintenir sans un développement économique et social rapide et intensif. Afin d'appuyer cet effort, le Canada, la Grande-Bretagne, l'Australie, la Nouvelle-Zélande et trois autres pays asiatiques nouvellement indépendants, ont établi le plan de Colombo. Pendant 8 ans, le plan de Colombo était le seul programme d'aide bilatérale du Canada, et quand d'autres membres du Commonwealth ont aussi atteint leur indépendance, le Canada leur a donné son appui en créant le plan d'aide aux pays des Caraïbes membres du Commonwealth, en 1958, et le plan d'assistance pour l'Afrique du Commonwealth en 1960.

Un an plus tard, l'aspect francophone de notre culture et de notre caractère bilingue se manifestaient dans la création d'un programme d'assistance pour les pays francophones d'Afrique. Cette assistance a pris de l'ampleur lorsque la mission Chevrier a identifié en 1968 plusieurs projets de développement.

Pendant ce temps, le Canada s'est occupé de l'Amérique latine en créant un fonds spécial et canadien avec la Banque du développement interaméricain en 1964, et en 1970, ce programme était rehaussé par un autre d'assistance directe bilatérale avec les pays latino-américains.

En 1960, le gouvernement au pouvoir notait que les programmes d'aide faisaient partie intégrale de la politique étrangère du Canada, et dépendaient de la nature même des rapports qui existaient entre le Canada et les pays bénéficiaires. Le Secrétaire d'État aux Affaires extérieures s'était alors vu confier la tâche de superviser et de contrôler l'administration et l'exécution des programmes d'aide. Le Bureau de l'aide extérieure voyait le jour.

Par la même occasion, on créait un comité interministériel, maintenant connu sous le nom de Conseil canadien de développement international. Nous étudions présentement les moyens de permettre au Conseil de jouer un rôle encore plus grand que par le passé dans la coordination des politiques des divers ministères engagés dans notre programme d'aide au développement.

La complexité de plus en plus grande des problèmes auxquels sont confrontés les pays en voie de développement nous a forcés à procéder à un examen détaillé de notre programme d'aide au développement. Cet examen a conduit à la publication le 2 septembre dernier de la Stratégie de coopération au développement international 1975-1980. Notre Stratégie n'est pas tant une réévaluation désespérée de la politique de développement international, que la formulation d'un certain nombre de concepts et de pratiques qui se dégagent de nos 25 années d'expérience dans la coopération au développement. Les événements mondiaux ont conféré une acuité toute spéciale à cette remise en question de la raison d'être et de la nature de nos rapports avec les pays du tiers-monde. Déjà en 1970, la Politique étrangère au service des Canadiens laissait entrevoir que les formes d'aide appliquées au cours des années soixante ne répondaient pas aux exigences de la décennie qui commençait. La Stratégie 1975-1980 est loin d'être une formule rigide. Elle est conçue de façon à s'adapter au cours des événements, tout en maintenant la continuité qui est primordiale au succès de programmes de développement social et économique à long terme.

[Texte]

I do not want to go over all the 21 points in the strategy, but I would like to refer to some of the most significant aspects. Canada's assistance will be concentrated in a limited number of developing countries to ensure maximum effectiveness and impact. The Canadian program will concentrate upon the poorest countries, those most seriously affected by economic dislocation, and on the poorest groups within those countries. At least 80 per cent of our bilateral assistance will be aimed at these countries. Canadian development efforts will focus increasingly upon major world problems such as agriculture and rural development, basic education and training, public health and population, shelter and energy.

Canada wishes to help those nations which show a real willingness to help themselves. True co-operation provides nations with the option of choosing a method of development most appropriate to their own political, economic and social requirements. We wish to see, however, forms of development in which the poorest and weakest members of society, the rural poor, the landless tenant farmers, the urban untrained and unemployed, share from the beginning in the benefits of growth. The program will be flexible, with forms of assistance available which are tailored to the needs of some middle-income developing countries.

We restate our determination to reach the official United Nations target of 0.7 per cent of our gross national product in official development assistance through annual increases in assistance as a percentage of gross national product. We recognize that this pledge will be a severe test of our national commitment to development co-operation.

The strategy review document will provide a focus for the Committee, if it so wishes, to examine Canada's development policy. It is the first time, I believe, that we have pulled together the guiding principles of our development program, and certainly I would welcome any comments the Committee may have on the principles that we have outlined, whether we are going in the right direction, and whether there are other principles that ought to be added or some that ought to be removed.

• 1555

I would like now to turn to broader questions involved in Canada's economic relations with developing countries. As members of the Subcommittee, you have all shown a keen interest in the report of the Commonwealth Expert Group on a new international economic order and in the Seventh Special Session of the United Nations General Assembly, which was held two months ago. Several of you attended the Seventh Special Session and I wish to place on record my appreciation of your important contribution to the work of our delegation.

I wish to review for you briefly my personal reaction to these exercises in which we have been involved in the past few months. The first point in my view is that significant progress has been made. The report of the Commonwealth Expert Group was a positive contribution to international dialogue and understanding, and gives us an important guide towards practical action to lessen disparities in living standards between rich and poor around the world.

[Interprétation]

Je n'ai pas l'intention de m'attarder à une revue des 21 points de la Stratégie. J'aimerais simplement souligner certains des plus importants. Le Canada concentrera son aide dans un nombre limité de pays du tiers-monde afin que ceux-ci puissent en tirer le meilleur parti possible. Notre programme d'aide au développement dirigera la plus grande partie de ses ressources vers les pays les plus pauvres, vers ceux qui sont le plus gravement touchés par le bouleversement économique et vers les groupes les plus pauvres de ces pays. Nous consacrerons au moins 80% de nos crédits bilatéraux à ces pays. Le Canada concentrera de plus en plus son aide sur les secteurs cruciaux—notamment l'agriculture, le développement rural, l'éducation et la formation de base, la santé publique et la démographie, le logement et l'énergie.

Le Canada désire venir en aide aux pays qui veulent réellement s'aider. La véritable coopération consiste à leur laisser la liberté de choisir le mode de développement qui convienne le mieux à leur situation politique, économique et sociale. Nous désirons toutefois que les méthodes choisies permettent aux membres les plus pauvres et les plus défavorisés de la société—les pauvres des régions rurales, les cultivateurs sans terre, et les chômeurs urbains sans qualifications professionnelles—de profiter dès le départ des bienfaits de la croissance. Le programme se veut souple; certaines formes d'aide seront établies en fonction des besoins de pays en voie de développement à revenus moyens.

Nous réaffirmons notre volonté d'atteindre l'objectif de 0,7% du PNB fixé par les Nations Unies au titre de l'aide publique au développement, par une augmentation annuelle de la part de notre PNB consacrée à l'aide au développement. Nous reconnaissons que cette entreprise mettra à rude épreuve notre engagement national à la coopération au développement.

Le document de révision de nos politiques permettra aux membres du Comité de mieux comprendre notre politique de développement. Pour la première fois, nous avons réuni en un seul document les grandes lignes directrices de notre programme de développement et je suis ouvert à tous les commentaires que vous voudrez bien faire à ce sujet. J'aimerais savoir si, à votre avis, les principes qui y sont énoncés sont réalistes ou bien si certains devraient être reformulés.

J'aimerais maintenant aborder certaines grandes questions touchant les relations économiques du Canada avec les pays en voie de développement. En tant que membres du sous-comité, vous êtes tous vivement intéressés au rapport du groupe d'experts du Commonwealth sur le nouvel ordre économique international ainsi qu'à la septième session extraordinaire de l'Assemblée générale des Nations Unies qui s'est tenue il y a deux mois. Certains d'entre vous ont assisté à cette session et je ne voudrais pas passer sous silence la contribution importante que vous avez apportée au travail de la délégation canadienne.

Permettez-moi maintenant de vous résumer brièvement mes réactions face aux événements auxquels nous avons participé au cours des derniers mois. Tout d'abord, nous avons réalisé des progrès importants. Le rapport du groupe d'experts du Commonwealth, en plus de favoriser le dialogue et la compréhension à l'échelle internationale, nous éclaire sur les mesures à prendre pour diminuer les inégalités de niveaux de vie entre les riches et les pauvres dans le monde.

[Text]

At the Commonwealth Finance Minister's meeting in August, ministers gave their general endorsement to this report. The Commonwealth Expert Group will meet again next year to pursue its task in new areas, such as the problems of developing countries, which must import most of their required raw materials. I believe it is worth mentioning that the report of the Commonwealth Expert Group was the first in a sense consensus document that had been produced by representatives of developing countries and by representatives of developed countries. It was the first consensus document and the conclusions of the endorsement of the ministers of Finance of the document was also a new departure.

It was subsequently tabled, put into the flow of material at the United Nations Seventh Special Session. While it did not have the prominence in the debate that the main document which was produced by the nonaligned had, it still in my view was a significant development. The document of the nonaligned was the focus of debate and it was, of course, supplemented by the statement of the United States, which subsequently put also into play its own proposals, and the Commonwealth document was there as well.

I believe those of us who were present at the Seventh Special Session, including Mr. Roche and Mr. Brewin, who are present today, would have observed a greatly improved atmosphere for debate and negotiations at the United Nations. There was flexibility, foresight and goodwill on all sides of the table and the approach which emerged from that session is one which we welcome and support. There was a much greater meeting of minds at the Seventh Special Session and this resulted in a consensus approach in dealing with the difficulties and needs of developing countries.

I believe the view would probably be shared by other members of the Committee who were in New York that the statement of the United States played a crucial role in this changed atmosphere. Certainly in the absence of an American initiative of that importance, probably the session would not have resulted in the adoption of a consensus resolution. Canada's efforts in this area over the past few months have been aimed at putting forward constructive positions reflecting Canada's interests in the long and short run. They have also been aimed at building bridges between developed and developing countries. Our delegation at the United Nations at the Seventh Special Session was able to participate in that bridge building role. Certainly, our role was a positive role, helpful in the circumstances, I believe. In my own statement at the Seventh Special Session I said that we are determined to play a positive role using our resources and influence to bring about constructive change in the international economic system, thereby reducing the gap between rich and poor nations.

• 1600

I reiterate that statement today. I attended the now resumed General Assembly which followed the special session and I met with the delegation at the General Assembly. I certainly expressed the clear view to the delegation that the document that had been adopted at the Seventh Special Session was not to be regarded as a tactical move on the part of Canada, or as a response to a purely tactical situation; it was a document that we regarded as

[Interpretation]

Le rapport a reçu l'approbation générale des ministres des Finances du Commonwealth lors de leur réunion en août dernier. Le groupe d'experts du Commonwealth se réunira de nouveau l'année prochaine afin de poursuivre ses travaux et il étudiera notamment les problèmes auxquels font face les pays en voie de développement obligés d'importer la plupart de leurs matières premières. Il serait utile de souligner ici que le rapport du groupe d'experts est le premier document à réaliser l'accord entre des représentants des pays industrialisés et des représentants des pays en voie de développement. C'est la première fois qu'un consensus se dégage; l'approbation qu'il a recueillie auprès des ministres des Finances constitue également un nouveau départ.

Le document a été déposé et fait partie de l'ensemble des documents de la septième session spéciale des Nations Unies. Même s'il n'a pas eu la même attention lors du débat que le document principal que les pays non alignés avaient préparé, il n'en demeure pas moins qu'à mon avis il constitue un événement majeur. C'est le document des pays non alignés qui fut au centre du débat et est venue s'ajouter également la déclaration des États-Unis qui par la suite ont fait leurs propres propositions; le document du Commonwealth a eu sa place également.

Je suppose que ceux qui étaient présents à la septième session extraordinaire, et parmi eux M. Roche et M. Brewin qui sont ici aujourd'hui n'ont pas pu manquer de constater que l'atmosphère se prêtait beaucoup plus à la discussion et aux négociations à l'Assemblée générale. Tous ont fait preuve de souplesse, prévoyance et de bonne volonté et l'approche retenue rencontre notre appui. Il y régnait une communauté de vues beaucoup plus grande ce qui a permis à un consensus de se dégager sur la façon d'aborder les problèmes et les besoins des pays en voie de développement.

D'autres membres du Comité qui étaient à New York conviendront probablement avec moi que la déclaration des États-Unis a joué un rôle important dans ce changement d'atmosphère. Sans cette initiative américaine, la session ne se serait peut-être pas terminée par l'adoption d'une résolution ralliant tous les pays. Le Canada au cours des derniers mois a voulu formuler à cet égard des prises de position constructives qui reflètent les intérêts canadiens à court et à long termes. Il a cherché à établir des ponts entre les pays industrialisés et les pays en voie de développement. Notre délégation à la septième session extraordinaire aux Nations Unies a pu précisément jouer ce rôle d'animateur. Notre rôle a certainement été positif et utile étant donné les circonstances. Dans mon allocution à la septième session extraordinaire, j'affirmais que nous avons la ferme intention de jouer un rôle positif afin de mettre à profit nos ressources et notre influence dans le cadre des efforts visant à apporter des améliorations au système économique international et à réduire, ce faisant, l'écart entre les nations riches et les nations pauvres.

Notre intention reste la même aujourd'hui. J'ai assisté à la réunion de l'assemblée générale qui a suivi la session extraordinaire et j'ai rencontré les délégués. J'ai bien fait comprendre aux délégués que le document qu'on avait adopté lors de la septième session extraordinaire ne constituait pas une tactique de la part du Canada ou encore une réaction face à une situation purement stratégique. Il s'agit d'un document que nous considérons le nôtre et que nous

[Texte]

our document, we had supported it and we ought to work positively in the General Assembly to have it move forward in the deliberations of the Second Committee. In fact, a member of your subcommittee, Mr. Stanbury, is our spokesman on the Second Committee and he has been given that support in my statement to the delegation.

I believe, at the United Nations and in these other forums we have made progress on commodities, trade liberalization, the transfer of resources, industrial co-operation, food and agriculture. We must ensure that the evolution of the international economic system continues in the right direction. We must take advantage of the improved international atmosphere. I believe a lack of will on the part of developed or developing countries in the field of international economic co-operation would result in our losing the gains made at the Seventh Special Session.

The next steps in the process are the Conference on International Economic Co-Operation in Paris or the so-called producer consumer conference, ongoing discussions in commodity councils leading up to UNCTAD IV in Nairobi, the continuing multilateral trade negotiations under GATT and the discussions of international financial and monetary issues at the IMF. In each of these forums we shall be putting forward positions which reflect Canada's economic interests and our desire to strengthen the co-operation with developing countries.

The Conference on International Economic Co-Operation will hold a ministerial session in December. I hope to attend that session which I think will be a very crucial event in the evolution of international economic co-operation. Certainly, the atmosphere that prevailed at the Seventh Special Session will have a favourable effect on the atmosphere at the Conference on International Economic Co-Operation. We have, obviously, a vital interest ourselves to pursue at this conference. There will be four commissions, two of which are of primary concern to Canada, the Commission on Raw Materials, and the Commission on Energy, and it probably will see these Commissions, for a period of a year, discussing the whole question of raw materials, which is a big item in the context of the new International Economic Order, with probably at the end of the year some report to Ministers.

• 1605

That is really the next incident in this unfolding scene. We are now preparing for that meeting. We have not yet completed our preparations and we have not sought final approval of our positions from the Cabinet.

I want now to turn to some other general comments. Just as the Canadian International Development Board under the Chairmanship of Mr. Gérin-Lajoie advises me on development assistance matters, the Interdepartmental Committee on Economic Relations with Developing Countries, under the Chairmanship of Mr. Robinson, advises me on the broader multi-dimensional issues that we are continuing to deal with. I wish to stress the interdepartmental nature of the government's consideration of these issues. Thus, through our aid program and through other measures of co-operation with developing countries, we are seeking ways of lessening disparities between developed and developing countries.

[Interprétation]

avons appuyé; nous devons travailler au sein de l'assemblée générale pour qu'il soit étudié lors des délibérations du deuxième comité. Un membre de votre sous-comité, M. Stanbury, est notre porte-parole au deuxième comité et je lui ai donné mon appui lors de mon exposé devant les délégués.

J'estime qu'aux Nations Unies et dans les autres cercles où sont débattues ces questions, nous avons fait des progrès en ce qui concerne les produits de base, la libéralisation des échanges, le transfert des ressources, la coopération industrielle, l'alimentation et l'agriculture. Il nous faut maintenant veiller à ce que l'évolution du système économique international se poursuive dans la bonne voie. Nous devons profiter de l'amélioration de la conjoncture internationale. Si la détermination des pays industrialisés ou des pays en voie de développement devait fléchir dans le domaine de la coopération économique internationale, je crois que nous perdrons les gains réalisés lors de la septième session extraordinaire.

Les prochaines étapes seront: la conférence sur la coopération économique internationale de Paris réunissant des pays producteurs et consommateurs, les discussions que poursuivent les conseils de produits de base en vue de préparer la quatrième conférence de la CNUCED à Nairobi, les négociations commerciales multilatérales menées sous l'égide du GATT et la discussion des problèmes financiers et d'intérêts internationaux au sein du FMI. Les positions que nous adopterons à chacune de ces étapes refléteront les intérêts économiques canadiens et notre désir de renforcer la coopération avec les pays en voie de développement.

La conférence sur la coopération économique tiendra une session ministérielle en décembre. J'espère pouvoir participer à cette réunion d'importance primordiale. L'atmosphère qui a régné lors de la septième session extraordinaire ne peut qu'être bénéfique à l'atmosphère de la conférence sur la coopération économique internationale. Il ne fait pas de doute que cette conférence présente un grand intérêt pour le Canada. On formera 4 commissions, dont 2 intéressent particulièrement le Canada, la Commission des matières premières et la Commission de l'énergie. Ces commissions étudieront probablement toute la question des matières premières pendant une année et ce sujet a certainement son importance dans le contexte du nouvel ordre économique international; à la fin de cette année on fera rapport au ministre.

Voilà donc ce qui se prépare de ce côté-là et nous nous préparons pour cette réunion. Nous n'avons pas encore terminé et nous n'avons pas encore demandé au Cabinet d'approuver nos positions.

J'aimerais maintenant passer à quelques sujets généraux. A l'instar du Conseil canadien de développement international, lequel, présidé par M. Gérin-Lajoie, me conseille sur les questions d'aide au développement, le comité interministériel sur les relations économiques avec les pays en voie de développement que dirige M. Robinson me conseille sur les grands problèmes multidimensionnels qui nous intéressent. Permettez-moi de souligner le caractère interministériel de notre étude de ces problèmes. Par la voie de notre programme d'aide et d'autres mesures de coopération avec les pays en voie de développement, nous cherchons ainsi des moyens de combler le fossé qui existe entre pays industrialisés et pays en voie de développement.

[Text]

In my view, bringing rich and poor closer together and finding ways to lessen these great disparities is one of the fundamental tasks in the field of international relations today. It is crucial for global stability and for the future of human civilization. I believe Canada has the ability to maintain and increase its efforts to confront these problems despite the sacrifices which will be required in our domestic fight against inflation.

Aid programs are easy targets in time of economic stress. Support for our programs must be founded upon a broad understanding by Canadians of the critical problems facing the community of nations and of the disastrous results which would follow any reduction of effort by industrialized nations because of economic problems at home. The importance of broadly-based national support for our programs and policies aimed at assisting developing countries cannot be overemphasized.

I understand that members of the subcommittee will be making an effort to ensure that Canadians are made more aware of the issues involved in our relations with developing countries. Discussion in this subcommittee and efforts by each of you to air these questions with the Canadian people will make a valuable contribution to improving understanding of the issues.

The Canadian people should be made aware of the costs and benefits, in economic and political terms, of action which may be taken by Canada in favour of developing countries through the budget for our International Development Program, through improved access to the Canadian market for developing country exports, and through agreements to stabilize international trade and commodities. There may be domestic economic costs, but in the longer term the cost of doing too little could be much greater.

I see, therefore, the need for continuing consultations between this subcommittee and myself and my officials. I look forward to this dialogue and I would be pleased to try to answer some questions, although I doubt whether we can carry the discussion much further than we have carried it already until you have probably made more progress in your studies and we have made more progress in ours.

The Acting Chairman (Mr. Anderson): Thank you, Mr. Minister. I think perhaps I was remiss. I did not introduce Mr. Bruce Williams on my far right, who is the Executive Vice-President of the Canadian Industrial Development Agency.

My first questioner is Mr. Roche.

• 1610

Mr. Roche: Mr. MacEachen, this morning I had occasion to make some extended comments on the five-year strategy, and if I could telescope them now, I would say that I think, indeed, the strategy is in the right direction. It is a question of speed, of implementation that concerns me, but before I get to that, I noticed today that Canada has increased its commitments and appropriation to the United Nations by \$4.5 million to a total contribution in the coming fiscal year of \$24.5 million. I just want to say that I think that was a very wise decision, at this time, to indicate in a monetary way the support of Canada for the United Nations at a time when the United Nations is under considerable attack and misunderstanding in the Western World.

[Interpretation]

La recherche de mécanismes pour diminuer les grandes disparités entre riches et pauvres constitue, à mon avis, l'une des tâches fondamentales dans le domaine des relations internationales contemporaines. Cette tâche est cruciale pour la stabilité globale et l'avenir de l'humanité. Je crois que notre pays peut maintenir et accroître ses efforts en vue de résoudre ces problèmes, en dépit des sacrifices qu'exigera de nous la lutte contre l'inflation.

Les programmes d'aide sont des cibles faciles quand la conjoncture économique est mauvaise. Notre programme doit trouver ses appuis dans une population consciente des problèmes critiques qu'éprouve la communauté des nations et des conséquences désastreuses que pourrait entraîner toute diminution de l'effort des nations industrialisées en raison de problèmes économiques internes. On ne saurait exagérer l'importance de l'appui des Canadiens relativement aux programmes et aux politiques par lesquels nous cherchons à aider les pays en voie de développement.

Les membres du sous-comité s'efforceront d'une manière toute particulière d'aider les Canadiens à prendre davantage conscience des composantes de nos rapports avec ces pays. Les travaux du sous-comité et vos efforts individuels pour faire mieux connaître ces questions au peuple canadien qui favoriseront une meilleure compréhension des problèmes.

Il faut que le peuple canadien sache quels sont les bénéfices et les coûts, économiques et politiques, de l'aide que peut accorder le Canada aux pays en voie de développement par les crédits qu'il affecte à son programme de développement international, par une ouverture plus grande du marché canadien aux exportations des pays en voie de développement et par des accords de stabilisation des échanges internationaux au niveau des produits de base. Cette aide aura bien sûr des répercussions économiques pour nous, mais à long terme, une trop grande parcimonie pourrait bien s'avérer beaucoup plus coûteuse.

Je crois donc qu'il est nécessaire que de part et d'autre nous poursuivions le dialogue. Je me réjouis à l'idée d'un dialogue et je serai heureux d'essayer de répondre à vos questions mais, pour que la discussion porte fruit, il nous faudra à tous approfondir notre étude des sujets en cause.

Le président suppléant (M. Anderson): Merci, monsieur le ministre. Quelle négligence, j'ai oublié de vous présenter M. Bruce Williams, à ma droite, qui est le vice-président exécutif de l'Agence canadienne pour le développement international.

Le premier nom sur ma liste est celui de M. Roche.

M. Roche: Monsieur MacEachen, ce matin, j'ai fait de nombreuses observations sur la stratégie quinquennale et, en résumé, je crois que je peux dire que cette stratégie est engagée dans la bonne voie. C'est la vitesse et l'application qui m'inquiètent. Mais auparavant, j'ai appris aujourd'hui que le Canada a augmenté le montant des sommes affectées aux Nations Unies, et que \$4.5 millions viendront s'ajouter pour constituer une contribution totale de \$24.5 millions pour le prochain exercice. Je me réjouis de cette décision qui est très sage, et qui indique que, en langage monétaire, le Canada appuie les Nations Unies à un moment où elles subissent de sérieuses attaques et font l'objet de l'incompréhension du monde occidental.

[Texte]

Last week I had occasion to go back to the United Nations following the Seventh Special Session and just kind of observing, again, reconfirmed for me the strengthened presence of Canada at the UN. As one analyses the speeches that have been made by members of the Canadian delegation, including your own, in both the Assembly and the various committees, I think one can draw the conclusion that Canada desires to participate more meaningfully than perhaps ever before in the understanding of what needs to be done to bring economic and social justice into the world; that the war that the United Nations was supposed to have been founded to stop now needs to be defined on much larger terms than military conflict. Important as that part of the definition is, it also needs to be defined in terms of the rich-poor conflict, and in that way, I think, Canada is moving forward, so I support that increase.

I am concerned about the implementation of the five-year strategy. I have said several times since it was published that it is in advance of the Canadian public opinion today and it will be necessary to bring along the Department of Finance and the Department of Industry, Trade and Commerce into the thinking expressed by the Department of External Affairs, which reflects the multi-dimensional approach to international development today, which is a combination of both aid and of structural changes. It is the combination that I think is extremely important to get across to all the members of the government, as well as to the Canadian people.

If I could just be specific for a moment, though, I recognize that we cannot move too far away from concentration on the aid question because of what Mr. McNamara, the President of the World Bank, has said, that the least-developed nations need an extra \$40 to \$50 billion over the next 5 to 8 years in order to compensate for the deleterious effect of the energy crisis, particularly on those countries. This brings us to the question of ODA, and Canada in the five-year strategy reaffirmed its commitment to get to .7 per cent of the GNP, but without indicating when we would get to that.

I want to ask you, first of all, in accordance with the strategy, can you state what steps have been taken to get to .7 per cent, bearing in mind that it is at .53 per cent now, and allied to that, I simply want to put my question in the context of the Commonwealth experts' statement of which you have been a strong supporter, which, of course, comes out for 1 per cent of GNP by 1980. In other words, it is a very clear target. I will just read one sentence that summarizes their position. The Commonwealth experts have declared:

We consider that the reasons developed countries have advanced in an attempt to explain why annual aid appropriations have failed to allow them to reach the .7 per cent target already have little economic substance or validity.

I have a couple of other questions, but I think I will stop there.

• 1615

Mr. MacEachen: Well, we have restated our target of the United Nations target; .7 per cent of the Gross National Product. At the Commonwealth Ministers meeting, which I attended in Guinea, I spoke on this particular question. I stated that in Canada we had been making substantial

[Interprétation]

La semaine dernière, j'ai eu l'occasion de retourner aux Nations Unies, après la septième session extraordinaire et j'ai pu observer que la présence du Canada y était encore plus remarquable. Si l'on étudie les discours prononcés par les membres de la délégation canadienne, notamment le vôtre, à l'assemblée générale, ou à l'occasion des séances de divers comités, on peut constater que le Canada désire participer plus activement que jamais aux démarches visant à instaurer une justice sociale et économique dans le monde. On comprend que cette guerre que les Nations Unies devaient enrayer s'étend à des domaines bien au-delà des conflits militaires. Il est important de redéfinir ce combat, et il faut le définir dans le contexte de l'antagonisme riches-pauvres; c'est de cette façon que le Canada évolue et voilà pourquoi j'approuve l'augmentation de la somme versée.

L'application de la stratégie quinquennale m'inquiète. J'ai dit à plusieurs reprises, depuis qu'on en connaît les modalités, que l'opinion publique canadienne n'était pas prête à la comprendre et qu'il sera nécessaire de faire intervenir le ministère de Finances, le ministère de l'Industrie et du Commerce, car les opinions du ministère des Affaires extérieures tiennent compte de l'approche multi-dimensionnelle au développement international qui aujourd'hui fait intervenir à la fois l'aide et les modifications structurelles. Voilà un tandem qui à mon avis, à une importance énorme et que les députés, comme le peuple canadien, doivent comprendre.

Permettez-moi d'entrer dans les détails, même si je comprends que nous ne pouvons pas négliger l'aspect aide de la question, surtout après ce qu'a dit M. McNamara? Le président de la Banque mondiale croit que les nations les moins développées auront besoin de \$40 ou \$50 milliards au cours des 5 à 8 prochaines années, afin de compenser l'effet néfaste de la crise de l'énergie dans ces pays. Cela nous amène à la question de l'ODA et à cette stratégie quinquennale, à l'occasion de laquelle le Canada a réitéré son engagement à augmenter son aide jusqu'à .7 p. 100 de son produit national brut, sans toutefois indiquer quand cela se réaliserait.

En commençant, je voudrais vous demander si, dans le contexte de cette stratégie, vous pouvez nous dire quelles mesures on a prises pour atteindre ce .7 p. 100 surtout lorsque, présentement, notre pourcentage s'élève à .53 p. 100. Je voudrais inscrire ma question dans le contexte de la déclaration des experts du Commonwealth, à laquelle vous accordez votre appui le plus complet et qui préconise 1 p. 100 du produit national brut, d'ici 1980. En d'autres termes, voilà une cible bien précise. Je vais maintenant vous lire une phrase qui résume la position des experts du Commonwealth, et je cite:

Nous croyons que les raisons invoquées par les pays industriels pour expliquer l'échec au niveau du pourcentage annuel affecté à l'aide, raisons qui les auraient empêché d'atteindre le pourcentage cible de .7 p. 100, se défendent très mal du point de vue économique.

J'ai quelques autres questions, mais je crois que je vais m'arrêter ici.

M. MacEachen: Eh bien, nous avons marqué au compas notre cible à l'intérieur de la cible des Nations-Unies: .7 p. 100 du produit national brut. Lors de la réunion des ministres du Commonwealth, à laquelle j'ai assisté en Guinée, j'ai traité de cette question particulière. J'ai déclaré qu'au

[Text]

increases in our aid to disbursements each year and if we were able to maintain that momentum in the future, we could probably reach that target by 1980. I have not sought a commitment from my colleagues in the government that we would reach it in 1980 because I believe, based on the record, the declaration of a firm date of intention is unnecessary. I sometimes feel we can do as well by making our improvements on an annual basis, rather than a specific target. That is my own particular view.

On the one per cent, I believe the budgetary consequences are so great at the moment that it would be quite impossible for us to consider the recommendation of the Commonwealth group of experts as one we could implement. At the Commonwealth meeting I reserved on that particular point.

Mr. McNamara is undoubtedly right in putting an emphasis on, and seeking an increase in, the total transfer of resources from developing to developed countries. This is an important aim, but the quality of that aid is as important as the quantity, in my opinion.

Mr. Roche: I appreciate that answer. I also think quality is important. Nonetheless, the sheer quantity needed in the least developed countries needs to be increased. I do not think the quality would have to suffer. I do not want to argue the point any further but only leave you with my thought which this Committee will have to face, as time goes on, namely: how to reconcile the Canadian position and the Commonwealth position, since we are supporting both, because the Canadian government has supported the thrust of the Commonwealth Report. I believe we ought to be moving to one per cent.

Having said that, I want to ask you what means you are going to take, sir, to develop public opinion in Canada for these trade and monetary contributions called for by the new economic order. I raised this very question in an exchange of correspondence with you. I suggested there be a series of conferences across Canada under the sponsorship of the government. You replied that you thought there was some merit in this idea but perhaps it ought to be under the wing of CIDA.

It seems to me, sir, that if we are going to have any kind of public education across Canada and put it under the wing of CIDA, we partially defeat what the new economic order is all about since we have to get across to people that it is not just a matter of giving aid. It is a question of structural changes.

Therefore, I want to put to you now, a very strong representation that the Department of External Affairs, not CIDA, sponsor conferences across the country to develop that full range of public opinion that is so necessary for Canadians to get a full understanding of the new economic order.

Mr. MacEachen: I think it is very big undertaking to try to explain the implications of the new international economic order to the public. And it is all the more difficult when, even at the very top of discussions, all the implications are not even fully understood by governments or by delegations at the United Nations. So it is an undertaking. I think I personally will attempt, as the opportunity presents itself at the United Nations and elsewhere, to bring forward this essential element in our Canadian foreign policy.

[Interpretation]

Canada nous avons pu considérablement augmenter l'aide annuelle à un rythme nous permettant d'espérer atteindre l'objectif vers 1980. Je n'ai pas demandé d'engagement à mes collègues en ce sens, car je crois, d'après la performance, qu'une date fixe d'intention ne s'impose pas. Je pense parfois que nous pouvons accomplir autant d'année en année plutôt que de viser une cible fixe. C'est une opinion.

Les ramifications budgétaires du taux de 1 p. 100 me semblent d'une telle magnitude en ce moment qu'il nous serait à peu près impossible de considérer la recommandation du groupe des experts du Commonwealth si nous devions nous-mêmes l'appliquer. J'ai exprimé des réserves à ce sujet lors de la conférence du Commonwealth.

M. McNamara a sans doute raison d'insister sur le transfert global des ressources d'un pays en voie de développement à un pays industrialisé. C'est un objectif de premier plan, mais la qualité de l'aide n'est pas moins importante que la quantité à mon avis.

M. Roche: Je comprends. J'estime aussi que l'aspect qualitatif est important. Néanmoins, la quantité minimale indispensable aux pays en voie de développement doit être augmentée sans que la qualité en souffre. Je ne veux pas insister sur ce point mais je vous laisse y penser car notre comité devra y réfléchir à mesure que le temps passera et, plus particulièrement à la façon de concilier la position canadienne et la position du Commonwealth, puisque nous donnons notre appui des deux côtés vu que le gouvernement canadien a donné son appui au rapport du Commonwealth. Je crois que nous devrions tenter d'atteindre le 1 p. 100.

Cela dit, j'aimerais savoir quels sont les moyens que vous prendrez, monsieur, pour intéresser l'opinion publique au Canada à ces échanges et contributions financières exigées par le nouvel ordre économique. C'est la question que j'ai soulevée dans un échange de lettres avec vous. J'ai suggéré qu'une série de conférences aient lieu au Canada sous l'égide du gouvernement. Vous avez répondu que cela n'était pas sans mérite mais que peut-être l'ACDI serait mieux placée pour le faire.

Il me semble, monsieur, que si vous devez éduquer le public canadien et le faire sous l'égide de l'ACDI, c'est faire échec au nouvel ordre économique en tous points puisque nous devons faire comprendre aux gens qu'il ne s'agit pas simplement de donner de l'aide. Il s'agit de transformations structurales.

Je tiens donc à vous rappeler fermement que c'est le Ministère des affaires extérieures et non pas l'ACDI qui parraine les conférences à travers le pays afin de sensibiliser complètement la population à la nécessité pour les Canadiens de bien comprendre en quoi consiste le nouvel ordre économique.

M. MacEachen: C'est beaucoup entreprendre, me semble-t-il, que de vouloir convaincre et éclairer le public sur tout ce qu'implique le nouvel ordre économique international. Et c'est d'autant plus difficile lorsque, dans le plus vif du débats, toutes les implications n'en sont même pas très bien saisies par les représentants officiels des gouvernements et les délégués aux Nations Unies. C'est donc une grande entreprise. Je m'efforcerais quant à moi en toute occasion, aux Nations Unies comme ailleurs, de faire ressortir cet élément essentiel de notre politique canadienne extérieure.

[Texte]

[Interprétation]

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It has been coming through, I believe, bit by bit. I think the subcommittee, in its work, can help. One of the reasons I was favourable to the reference itself was that it would give Parliament and those who appeared before a parliamentary committee an opportunity to engage in some conditioning of public opinion.

I think the nongovernmental organizations are also useful in that role. They are active, they turned out in full force, as you remember, at the Seventh Special Session, and I think it is important that we try to ensure that there is a constant dialogue between the government, Parliament, the nongovernmental organizations and the public.

Mr. Roche: I want to ask one supplementary before I use up my time, Mr. Minister.

It is now one year since Canada pledged at the World Food Conference to send 1 million tons of food this year to developing nations, a commitment reaffirmed in New York this fall, and since the grain crop in Canada this year has exceeded expectations I wonder if you could state how much of that 1 million tons has been shipped so far, and to which countries?

Mr. MacEachen: I cannot state that. I would be happy to get the information but I do not have it with me.

Mr. Roche: Can you affirm now that shipments are underway, or is it possible that none ...

Mr. MacEachen: Are you thinking of the first year or the second year?

Mr. Roche: The first of the three year commitment.

Mr. MacEachen: Oh, sure.

Mr. Roche: The year 1975.

Mr. MacEachen: Yes. I know by virtue of my contact with CIDA officials and various country programs that we have been shipping and we hope to complete our commitment by the end of the fiscal year, I guess it would be. So we will have discharged that obligation.

I think you will be pleased to know, Mr. Roche, that we could have achieved economies because we made our commitment in physical terms instead of dollars, because at that particular time at the World Food Conference it was felt that that was the best way to do it. Since then the prices have gone down. So we are better off because we have been rewarded for our virtue, in other words. What we have saved on the million tons we have still insisted on putting into the food budget, so we have not reduced by virtue of that event our total dollars on the food allocation. That has been our position all the way through. So I think that when we get you the details you will know that we have been moving on that and we will complete our objective.

Il y a de petites lueurs. Je pense que le sous-comité peut aider par ses travaux. Une des raisons pour lesquelles j'ai accepté avec complaisance l'ordre de renvoi, c'est que cela permettrait au Parlement et à ceux qui comparaissent devant le comité parlementaire de contribuer à éduquer le public.

Les organismes non gouvernementaux peuvent aussi jouer leur rôle. Ce sont des corps actifs qui se présentent en foule comme ils l'ont fait, vous vous en souvenez bien, lors de la septième session extraordinaire, et il me semble important que nous nous efforcions d'assurer un dialogue constant entre le gouvernement, le Parlement, les organismes non gouvernementaux.

M. Roche: J'aimerais poser une question supplémentaire avant d'épuiser le temps qui m'est alloué, monsieur le ministre.

Il y a un an que le Canada s'est engagé à la Conférence mondiale sur l'Alimentation à envoyer un million de tonnes de vivres cette année aux nations en voie de développement, un engagement reconfirmé cet automne à New York; vu que la récolte de céréales au Canada cette année a dépassé tout ce qui avait été prévu, je me demande si vous pourriez nous dire combien de ce million de tonnes a été expédié jusqu'à présent et à quels pays?

M. MacEachen: Je ne saurais dire. Je serais heureux de vous procurer le renseignement mais je n'ai pas cette information ici.

M. Roche: Pourriez-vous nous dire quel est le mouvement des expéditions présentement ou est-ce possible qu'aucune ...

M. MacEachen: Est-ce que vous parlez de la première ou de la deuxième année?

M. Roche: La première des trois années d'engagement.

M. MacEachen: Oh, certainement.

M. Roche: L'année 1975.

Mr. MacEachen: Oui. Je sais par mes rapports avec les hauts fonctionnaires de l'ACDI et ma participation à divers programmes d'autres pays, que les expéditions se poursuivent; nous espérons avoir tout expédié avant la fin de l'année financière. Nous aurons donc respecté cet engagement.

Sans doute serez-vous heureux d'apprendre, monsieur Roche, que nous aurions pu égarner parce que nous nous sommes engagés en termes de volume physique plutôt qu'en dollars, estimant à ce moment de la Conférence mondiale sur l'Alimentation que c'était la meilleure façon de procéder. Depuis, les prix ont baissé. Notre vertu semble donc avoir été récompensée. Nous avons cependant insisté pour intégrer au budget alimentaire ce que nous avons épargné sur le million de tonnes et nous n'avons donc pas réduit à cause de cela notre engagement global en dollars pour l'alimentation. Nous avons été en tous fidèles à cette pratique. C'est pourquoi je pense que, lorsque vous en connaîtrez le détail, vous serez persuadé que nous avons bien agi et que nous parviendrons à notre objectif.

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STATEMENT
DISCOURS



NOTES FOR A STATEMENT
BY THE SECRETARY OF
STATE FOR EXTERNAL AFFAIRS,
THE HONOURABLE
ALLAN J. MACEachEN,
AT THE O.E.C.D.
MINISTERIAL MEETING,
PARIS, JUNE 21, 1976

"NORTH-SOUTH DIALOGUE"

Mr. Chairman,

I am very pleased to be given the opportunity to open this important discussion with my colleagues in the Organization for Economic Co-operation and Development (OECD) on the North-South dialogue.

This is a question which, as you know, has been very much at the centre of my attention during the past several months. 1976 is a particularly significant year for this dialogue because of the United Nations Conference on Trade and Development (UNCTAD IV) which recently concluded its work in Nairobi, and because of the Conference on International Economic Co-operation being held here in Paris. UNCTAD IV was an important test of the political will of developed and developing countries to pursue substantive issues in the context of an established North-South dialogue. Some developing countries found that it was disappointing that proposals put forward by the United States of America were not supported for further consideration. However, in our view the results were satisfactory in that they constituted forward steps in certain areas, thus permitting the continuation of the North-South dialogue in an atmosphere of understanding, and, on balance, UNCTAD IV was more successful than many people had anticipated.

The decisions taken in Nairobi were primarily of a political and procedural nature. The issues dealt with there are perceived by developing countries as being highly political in nature. It is extremely important that the political will to reach compromise and to avoid a return to confrontation continue to play a role in the implementation of the results of UNCTAD IV. There is still considerable scepticism among developing countries that substantive progress will be made. We must avoid damaging our credibility in the crucial period ahead which will see the follow-up to the results of UNCTAD IV.

In part, as a result of the Nairobi meeting, the Conference on International and Economic Co-operation (CIEC) can continue to play a key role in the North-South dialogue. There is a unique opportunity during the next few months for CIEC to work for realistic progress by examining issues, by stimulating action in other international bodies, and by creating a programme for co-operation for both developed and developing countries. This opportunity should not be lost. CIEC has provided in its first and analytical phase a useful forum for detailed discussion on a wide range of economic problems, including energy, of concern to both developing and industrialized countries. This work has provided a good

base for progress in the next six months. There has been close co-operation among the developed countries which constitute the group of eight at the conference. Some advances have been made in defining specific areas of concentration for the work program of CIEC, with the aim of arriving at a concrete outcome at the Ministerial Meeting next December. More progress must be achieved in this area if we are to succeed; and time is becoming short. The July meetings of the four commissions will have an important role to play -- that of defining their work programmes for the second phase of the conference.

We are now reaching a delicate period in the North-South dialogue in CIEC -- a period of transition between the first, analytical phase and the second, action-oriented phase. At the meeting last week of CIEC co-chairmen there was broad agreement on launching the action-oriented phase of the conference. And here I must raise one point which concerns me. I see the possibility of misunderstanding or ambiguity regarding the word "action". The challenge in the second phase of CIEC will be to define what action we are talking about, and what action will be acceptable to all sides.

The industrialized countries must work together to ensure that the action-oriented phase indeed produces concrete results. We must do all we can at this OECD Ministerial Meeting, and at future meetings dealing with this issue, to preserve a good climate for the North-South dialogue -- in Paris and elsewhere. In substantive terms, we must break the back of some of the basic issues on the table, although at present it is clearly premature to indicate what kinds of solutions may eventually emerge. This means that we will all have to come to grips with some difficult problems in the next six months -- for example, the indebtedness of developing countries, and a balanced approach to commodities.

The industrialized countries, I believe, must work together in close consultation as the work of the Conference progresses, but I should stress that our unity as a group is directly related to the prospects for real movement in our respective positions. It would be very difficult to remain united as a group if our positions were static or retreating.

As co-chairman of CIEC, I would like to be assured of the real commitment of developed countries to positive action toward international economic co-operation during the second half of the conference. We are committed to an action-oriented phase. Foot-dragging could lead to the break-down of the North-South dialogue. When weighing the costs of action on the issues before us, we must also weigh the costs of inaction.

The CIEC is a new departure in relations between developed and developing countries. It requires a new approach by us. Instead of being on the defensive, we must be positive and innovative in our positions on the issues in Paris. In our view, this forum offers us the best hope at present for economic and political co-operation between developed and developing countries. Our interests lie in orderly adjustments in international economic relations in maintaining a sound and effective trade and payments system which serves the interests of all countries.

The December Ministerial meeting of CIEC will be a moment of truth, when political decisions will have to be made on important economic issues. We should all be aiming at a program for co-operation to come out of the December Ministerial meeting, which would include different types of decisions, levels of commitment, and directions for the future for a selected range of issues.

When CIEC comes to an end, even with the progress which we hope to achieve it is clear that serious problems will continue to exist. And the dialogue between North and South, rich and poor, will have to continue through the years ahead. The changing relationship between North and South is not transitory. It has become a permanent dynamic in the international system, a reality and a challenge which all of us must face squarely, now and in the future.

Thank you, Mr. Chairman.

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SPEECH BY THE
PRESIDENT OF THE PRIVY COUNCIL
THE HONOURABLE ALLAN J. MACEACHEN
TO THE
CANADIAN EXPORTERS ASSOCIATION

OTTAWA, ONTARIO

OCTOBER 19, 1976

I very much appreciated the invitation of your President, Mr. McAvity, to address the Canadian Exporters Association. I especially welcome this opportunity to speak on the subject of the Conference on International Economic Cooperation. The implications and the outcome of this Conference inasmuch as they affect international trade and economic conditions are clearly matters of great interest to you.

The CIEC, to call it by its initials, was conceived as a special effort at cooperation between developed and developing countries in order to bridge the widening gap between rich and poor. It is part of a larger dialogue, often called the North-South dialogue, which is taking place in many international fora, in response to calls for a basic restructuring of the existing international economic system. That system, the basics of which were laid down at the end of the Second World War, made possible an enormous expansion in international trade and has led to unprecedented economic growth and prosperity in the industrialized world. It has served us well, but conditions now are vastly different and

many times more complex than at the system's inception. It clearly has to adapt if it is to continue to serve the needs of both the developed and the developing world. The world-wide economic crisis which began in the late sixties, and was accelerated by the oil crisis, brought home to us just how vulnerable our economies are, not only to purely economic forces, but also to political tensions.

Thus, pressures for change have come from the Third World, which feels that the post-war system has put them at an economic disadvantage and that a favourable world economic order is required even more than aid to help them develop. The need for change has also been recognized by the industrialized world which must be able to depend on well adapted and workable mechanisms to make possible the sort of orderly economic growth which can serve as an engine for the whole world economy.

The Canadian Government, in the Speech from the Throne, noted that it is not in Canada's interest to allow the gap to widen between the wealth of the few and the poverty of the many, and pledged that it would continue to participate in the task of shaping a new international economic order. In my view, the best chance for dealing successfully with the

problems of the developing world rests on healthy and growing economies -- all economies. The problems of the developing countries cannot be isolated from our own. Conversely, economic problems in the industrialized nations greatly hurt the Third World. So what we should be looking for is a bigger pie -- expanding economies to create the new wealth to enable us to meet development goals as well as the reasonable aspirations of the people in the advanced societies.

The basic question of the North-South dialogue is not: will there be change? but: how do we manage change through a constructive dialogue?. This is what the Conference on International Economic Cooperation is about.

CIEC is unique in several respects. It was originally conceived as an oil producer-consumer conference and later organized as part of the North-South dialogue with 8 developed countries and 19 developing countries. But CIEC can also be seen as a three-sided conference consisting of 8 industrialized, 7 oil-exporting and 12 oil-importing developing countries. Its limited membership makes CIEC less cumbersome than other bodies with universal membership and, because meetings are in private, less time is spent in lengthy and often repetitive plenary sessions. This leaves more time for a real exchange of views on the tough issues

that the Conference is trying to deal with. Although limited, the membership of the Conference is broadly representative. Member countries contain roughly half of the world's population and turn out over 70 per cent of world production (although the East European nations and China are not participating or represented). This lends a great deal of weight to any conclusions CIEC might reach. At the same time, participants in the Conference are conscious of their responsibility that their decisions must be broadly acceptable to non-member states as well and must be implemented elsewhere -- especially in the U. N. system -- where these decisions will be closely scrutinized.

The Conference has been divided into four Commissions, each with its own set of Co-Chairmen representing respectively the developed and the developing members. These Commissions deal with Energy, Raw Materials, Development and Finance. Canada is a member of the Energy and the Development Commissions, while we maintain watching briefs on the other two.

As you may be aware, I have the honour of being Co-Chairman of the Conference as a whole, together with my counterpart, Dr. Perez Guerrero, the Venezuelan Minister of

State for International Economic Affairs. During the past 9 months I have consulted frequently with Dr. Perez Guerrero in an effort to ensure that the discussions in CIEC are as productive as possible.

Given the different perspectives of the three major groups taking part in the Conference, this is obviously no easy task. The industrialized countries are concerned about continuing inflationary pressures; about the long-range availability and price of energy resources; about the stability of supply of other key commodities; about the security of investment; about the fragility of the international economic system; and about the risk and difficulty of government intervention in basic market forces.

The oil producers seek a mechanism to ensure that their export earnings and accumulated hard-currency holdings from oil are not eroded by continuing world-wide inflation. They also have a vital stake in the stability of Western currencies and the security of their enormous investments in the industrialized countries.

The developing countries face a whole range of almost intractable problems. Some are dependent for export earnings on one, or few, basic commodities. Owing to the

economic slowdown in the West, the demand for, as well as the price of some commodities, have declined in real terms in the past few years. They argue that there is a deteriorating trend in their terms of trade which, coupled with a sharp rise in the price of their essential imports such as oil and fertilizer, has created unmanageable balance of payment problems for them. The deficit in their external balance and the debt burden, particularly of the poorest countries, have become more crushing; and they are looking for relief. They consider that resource transfer fall far short of their needs and that international trading arrangements should give them increased preferences.

The first six months of CIEC were devoted to an analysis of some of these very complex issues. The discussions were useful in focusing attention on the major concerns of the participants and in gaining a better understanding of the other side's point of view. However, the talks also revealed the difficulty of finding common ground among the participants and, by extension, among the world community, with respect to the sort of remedial measures that might lend themselves to negotiation. One fundamental problem is, of course, that attacking one problem may in some cases aggravate another. Inflation becomes more difficult to control if the prices of raw materials rise significantly; the real transfer of resources in turn is adversely affected by continuing inflation.

Thus the shift from the analytic phase to the action-oriented phase presented considerable difficulties which occupied a good deal of the attention of Dr. Perez Guerrero and myself during the summer months. Indeed, at the end of July the Conference seemed to be on the verge of collapse. Dr. Perez Guerrero consulted intensively with the Group of 19 (the OPEC and non-oil-producing developing countries) and I did the same with the Group of 8 (the industrialized countries). Despite obvious differences in outlook and interests, both sides were convinced of the usefulness of the dialogue and were willing to make the necessary accommodation. As a result, we were able to agree on a work formula which would enable the four Commissions to continue their work.

Specifically, it was possible to draw up work programmes for the four Commissions which were acceptable to the Group of 8 as well as to the Group of 19. Necessarily, these work programmes had to be couched in general terms and not prejudge the issues. They also tend to be all-inclusive and take in a very wide range of issues, reflecting of course the interests of the three main groups in the CIEC

Specific proposals may be submitted for discussion until October 31. Some have already been tabled, and we expect the whole range of subjects discussed at the Conference to be covered by additional proposals to be introduced at Commission meetings beginning this week. I expect the gap between them to be wide on some issues. The real test of the Conference is coming as we begin to shape the kind of document to be put forward for consideration by Ministers in December. We are calling it "The Programme for International Economic Cooperation" and, if we succeed, it will be the tangible product of the Conference.

I expect that this programme will be a complex document covering all the major areas dealt with at the Conference and taking the form of decisions, commitments and recommendations having both short-term and longer-term effects. Clearly, all the North-South problems cannot be solved definitively in one document, but where there is need it should make it possible to achieve further progress in other fora. The alternative is increased tension, with all the opportunities this gives to disruptive moves in some vitally important areas as energy, trade in raw materials, access and investment. The challenge is great, and at this point the success of the CIEC is by no means assured. Much will depend

on the continued goodwill, flexibility and realism of the participants, if progress is to be made.

One result which has already clearly emerged from CIEC is the growing realization that whatever decisions are taken, there must be a cooperative effort. It is up to the world community, all together, to recreate a climate of confidence for trade and investment. Businessmen must be confident that the rules of the game will not change overnight and that their interests will be recognized.

I need not underline to you how important this is to Canada. Our stake in the smooth working of the world trade and economic system is so great that we must make sure that whatever change takes place is workable and beneficial to all. Indeed, much damage would be done to the North-South dialogue and the cause of the developing world, as well as our own interests, if our efforts produced unworkable results or failed. If, on the other hand, we can help overcome some of the severe economic problems of the developing countries and distribute more widely the benefits of economic growth, we would undoubtedly gain also. These countries are increasingly important trade and economic partners for Canada. Indeed, they look to us as a valuable economic partner and an understanding friend. The CIEC provides a unique opportunity to develop a sense of solidarity, jointly improve our ability to create wealth and make progress in reducing the gap between rich and poor.



