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President: Mr. Leopoldo BENITES (Ecuador).

AGENDA ITEM 7

Study of the problems of raw materials and development
(continued)

49. Mr. GIOLITTI (Italy):¹ Before proceeding with my statement, allow me to present to you on behalf of my Government and on my own behalf our warm congratulations on your unanimous election to the presidency of this Assembly. I am confident that under your wise leadership we will proceed speedily with our work and reach the decisions that each and every one of us has at heart.

50. A rapid process of transformation of the world economic and political scene constitutes the framework and basic motive for this special session of the General Assembly. The Italian Government is aware of the dimensions of this process, the scope and breadth of which are such that we have not yet been able to grasp its full significance. The convening of this session reveals a profound and wide-spread conviction that the United Nations is called upon to play an ever-growing role in the establishment of a new world economic order.

¹ Mr. Giolitti spoke in Italian. The English version of his statement was supplied by the delegation.

51. The Italian Government notes the decision to tackle jointly not only the problems arising in the energy sector but also all those problems related to the availability and price of raw materials and to the growth of both the developing and the industrialized countries according to the principles of mutual co-operation. That is a decision that corresponds to the actual reality of the situation we are facing. The statement of the Secretary-General had the great merit of indicating the full range of the problems the international community is today called upon to solve. We cannot evade this range of problems if we wish to find a satisfactory and equitable solution to the difficulties arising in the energy sector.

52. The so-called "oil crisis" must be interpreted as a revealing and dramatic sign of a crisis which had been growing for some time and is of great importance. We are in fact facing the historic crisis of a system of international division of labour and international distribution of income which is no longer acceptable or practicable. Not to have foreseen this crisis and to have believed in, and tried to prolong, the existence of the present system is a responsibility which must encourage us to respond to the present situation with urgent decisions. We cannot yet see clearly what the new system should be. This debate may help us to define it in a spirit of co-operation based on a common and harmonious effort to pass from the old to the new rather than to confront the new with the old in a clash of hostile forces.

53. The spread of inflation makes this task even more urgent. This is to a large extent the result of a race towards the illusory benefits of the consumer society. It has led to increased international imbalances and to a deterioration in the terms of trade to the detriment of the developing countries.

54. The increase in prices of raw materials appears to be an initial response and a means of compensating for the present situation. It is certainly a challenge to the present international division of labour and distribution of income on a world scale. But can it be considered as the advent of a new system? We hardly think so, because the logic of market forces remains the same and the rules of the game remain the same, whereas the real problem is to change them.

55. For the law of the strongest we must substitute the law of international co-operation. Otherwise we risk returning to the law of the jungle. We can already see premonitions of this. We are also threatened by other disorderly factors. These are the different and often contradictory reactions of individual States each of which is compelled by the same unforeseen and inescapable threat of disorder to consider only its own national interests or its regional or group interests in the face of growing monetary and financial instability, the threatening prospect of shortage and the present chronic uncertainty of the world economic cycle.

56. It is not enough to solve the problem of controlling one's own resources at the national level; we must tackle the problem of the international co-ordination of the utilization and allocation of resources—not only raw materials but also financial and technological resources.

57. It is not enough to solve the problem of national independence; we must tackle the problem of the interdependence between the various economies at the world level. Hence the need for multilateralism which has been clearly and unanimously reaffirmed by the European Economic Community, of which Italy is a member. Hence also the need for instruments of international co-operation which will ensure the consistency and co-ordination of policies not only of individual States but also of large-scale national and multinational economic promoters.

58. Never before has the world had to realize how close is the interdependence between national economic events. The economic history of the years between the two World Wars may appear insignificant when compared with the events which we are facing today. If we still nourish the firm hope of not repeating the mistakes we made in tackling a similar crisis during the 1930s, it is because the conscience of all nations has progressed enormously. We may think for example of the impact which a recession in all the industrialized countries would have on the international demand for raw materials and hence on their prices and on the economies of the countries producing them.

59. Raw materials by themselves do not constitute an economic resource. They must be transformed. In saying this, I do not wish to advocate the retention of an international division of labour contrary to the aspirations of the producer countries, which have every right to utilize the resources of their territories for the purposes of their industrialization. But this process would be interrupted by any slump in the trade and economies of the industrialized countries, which remain an essential component of the industrial progress, technological advancement and the well-being of all.

60. The reforms initiated in Tokyo for international trade and in Nairobi for a new monetary system and the coming conferences on population, food, and industrialization are so many examples of a widespread international awareness of the problems and needs which emerge in this Assembly with particular vividness and of the fact that we must face them through organized co-operation and not through economic confrontation.

61. Moreover, a confrontation and a possible "deal" between developed and developing countries would not provide an appropriate solution. This is shown by the fact that the line between countries receiving substantial benefits from the international terms of trade and countries not receiving such benefits no longer has the industrialized countries on one side and the developing countries on the other, but runs across both groups.

62. We may also mention a second difference between the former situation and the new situation which is taking shape: the countries which are self-sufficient in raw materials are few; they all enjoy, however, a certain advantage as compared with countries that are not self-sufficient. This does not alter the fact that both the self-sufficient countries and the countries which depend to a large extent on imports must all face the prospect of a general shortage of raw materials in the long run.

63. These recent developments obviously do not imply any immediate need to review the characteristics and

qualifications whereby States are classified as industrialized or developing.

64. The problem of development at the United Nations remains always and above all the problem of the relations between the present developing countries and the present industrialized countries, as they are now. However, the economies of the various countries, whether industrialized or not, must be reviewed more carefully and in a manner more consonant with the complex and diversified situation we are now facing. That review must assess the need for aid and the capacity to contribute.

65. Naturally, this argument in no way seeks to ignore the typical characteristics and needs of every individual country. The first principle enunciated in the International Development Strategy for the Second United Nations Development Decade [*resolution 2626 (XXV)*] is that each State bears the primary responsibility for its own economic and social progress.

66. It seems therefore essential for each country to take stock of the consequences of this particular situation for which we have convened here and to make a constant effort to improve its economic structures. This appears to us to be an absolute imperative so that those countries called upon to assist others either with material resources or with the complex and essential assets of technology can operate with greater efficiency and so that the recipient countries can make the best possible use of such assistance.

67. We cannot possibly claim that the review of such vast and complex problems can be completed during the course of this special session. The Italian Government hopes that the Assembly, having taken note of the exceptional state of the present international economic situation, will entrust to the existing United Nations organs the task of studying all the subjects that have been brought before us at this session. For the elaboration of a global strategy of international economic co-operation the Italian Government shares the views put forward by the President of the Council of the European Community [*2209th meeting*] and also supports the proposal for a "council of wise men".

68. The Italian Government formally proposes, at this session, as a short-term measure, that the Economic and Social Council should begin to consider at an early session the key factors of this situation, which is changing day by day. The Council should identify those factors and take due account of them in elaborating the methodology for its mid-term review and appraisal of the Strategy for the Second Development Decade.

69. The priority sectors appear to be those of energy and food and, more specifically, petroleum and cereals. In other bodies, parallel and co-ordinated action should be taken to deal with monetary and finance matters. Above all, in these sectors we must show our wish and ability to substitute a spirit of solidarity for a spirit of confrontation. Very close attention should be paid to the proposal made by President Boumediène for a large-scale mobilization, in favour of the developing countries, of the financial resources and production capacity of those countries which have such resources and capacity.

70. That proposal could be implemented in the form of a 10-year plan of emergency assistance to the developing countries. The industrialized countries and those which have substantial financial surpluses could take part in the financing of this project.

71. Such a plan should have a number of objectives covering the main interests at stake. First, we must ensure that the changes now taking place in international economic relations are effectively transformed into a great opportunity for the developing countries to make progress and not to sustain further losses. Second, we must ensure that the productive capacity of the industrialized countries is channelled in this direction, and not be allowed to worsen the ever-growing inflationary pressures. It must not be nullified by a serious recession. Third, we must ensure a substantial flow of investment for increasing the production of raw materials and products in short supply, reserving a growing proportion of such production for the needs of the least developed of the developing countries. Fourth, we must guarantee that the countries which now have substantial financial surpluses will be able to use them for remunerative investment which will favour world progress and will not increase international monetary disorder. The burden of this emergency provision of financial means could be partially borne by the industrialized countries in proportion to their capacity to pay. Fifth, we must enable those industrialized countries whose balances of payments are today most affected by the increases in the prices of imported raw materials to provide free, semi-free or deferred-payment exports to developing countries and especially to the least developed among them.

72. The above-mentioned exporting countries, because of their balance of payments difficulties, should be granted international credits at conditions to be determined, taking into due account, *inter alia*, the aid provided by them and also their present economic situation and the prospects of rebalancing their balance of payments.

73. The course of the Second Development Decade has been planned on the basis of assumptions which today have become to a large extent upset. The transfer of resources and financial aid from the industrialized countries to the developing countries has up to now been far from reaching the objectives of the Second Development Decade. For many industrialized countries, an effort such as that required by the Strategy for the Second Development Decade has been made still more difficult, as in the case of Italy, because of internal structural obstacles.

74. The countries of the international community are now witnessing an unprecedented redistribution of the means of payment. Almost all the industrial countries are now facing serious difficulties in their balance of payments. These difficulties, again in the case of Italy as well, can find a true and lasting solution only within the context of close and renewed international co-operation. It would in fact be illusory to think that the survival of international economic balance, and hence the existence of any international strategy for development, can depend solely on the response of the industrialized countries to the crucial and difficult questions involved in the world's redistribution of income.

75. Even if the industrialized countries under present conditions provide a great volume of assistance, and a flow of resources greater than the present one, the needs of many developing countries would be far from being satisfied. However, the Economic and Social Council could start by considering a solution that has so far been disregarded because of objective difficulties caused by competition among industrial economies. I allude here to the mobilization of financial resources through the use of other financial resources designed to provide the necessary incentives in the form of a subsidy to the rate of interest.

76. Enormous monetary resources are piling up in countries with limited absorption capacity. These resources may lead to the accumulation of dangerously large amounts of money seeking speculative investment on the international financial market. These same resources should rather be channelled towards the developing countries, which are in a less favourable financial situation. A multilateral agency capable of ensuring investments on sufficiently remunerative terms could be used for this purpose.

77. I do not intend to illustrate this proposal in greater detail here. I limit myself, however, to recommending that a study of it be made. There is, I think, a fundamental coincidence of interests among the countries represented here regardless of their level of industrialization and availability of raw-material resources. Therefore, after making the two proposals on a short-term basis that I have put forward, I should like to conclude by emphasizing the long-term objective that this General Assembly should begin to envisage.

78. This objective could be described as a world-wide survey of available resources and the planning of their use, with the view of ensuring a better balanced international distribution of income and a world-wide control of the consumption of main primary commodities. Some may say that this is Utopian. But everything leads us to believe that mankind is, with incredible speed, approaching the day when it will have to decide to forgo the anarchy caused by competition and selfishness and to choose the policy of doing its utmost in a spirit of solidarity to bring about an achievement which may appear Utopian today, namely a harmonious and closely united international community.

79. Mr. GULDBERG (Denmark): Our generation has witnessed a growing interdependence of the economies of countries in all parts of the world and in all stages of development. Nations must seek solutions to their economic and social problems in a global framework. No country can isolate itself from this trend, which has changed the scope and the character of the work of the United Nations.

80. In 1972 the United Nations Conference on the Human Environment took place with the motto "Only one earth". This year the World Population Conference and the World Food Conference will demonstrate that the nations of the world are tied to each other by a common destiny. So does this special session of the General Assembly on the problems of raw materials and development.

81. For many years the world saw a steady decline in the real value of a number of raw materials. This caused a