

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

MASTER FILES

ROOM C-120

01

SM/83/183

August 11, 1983

To: Members of the Executive Board

From: The Acting Secretary

Subject: United Nations Economic and Social Council (ECOSOC) -  
Second Regular Session, 1983

The attached report by the Fund Special Representative to the United Nations on the session of the Economic and Social Council, held in Geneva, July 6-29, 1983, is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

United Nations Economic and Social Council  
Second Regular Session, 1983, Geneva

July 6-29, 1983

Report prepared by  
The Special Representative to the United Nations

August 9, 1983

Introduction

Meeting immediately after the UNCTAD VI Conference in Belgrade, the UN Economic and Social Council was strongly influenced by that event at its second regular session of 1983, July 6-29, 1983 in Geneva, a session essentially devoted to international economic issues following its first session in May of this year which dealt with social matters. With less than a week separating ECOSOC from the cloture of the UNCTAD Conference, many ECOSOC delegates as well as UN Secretary-General Javier Perez de Cuellar and UNCTAD Secretary-General Gamani Corea tried a first and often divergent evaluation of the Belgrade meeting. In doing so, industrial country representatives tended to emphasize what they regarded as positive results, while developing country representatives, as well as the two UN officials, felt that the lack of agreement on major issues on the UNCTAD agenda outweighed progress made on subsidiary issues.

ECOSOC's own assessment of current global economic conditions and a future policy course showed a similar divergence between the views of industrial and developing countries. The developing countries--ECOSOC's majority--emphasized the severity of the recent recession, the uncertain signs of an upturn, and the slowness with which a recovery would benefit the developing countries also with respect to their serious debt problems. They insisted, as they did at UNCTAD VI, on the need for a major package of immediate measures, particularly in the area of money and finance, including also an SDR allocation. Industrial countries, on the other hand, tended to emphasize the importance of balanced, anti-inflationary policies which should strengthen the recovery and be accompanied by an anti-protectionist stance. This course would, in their view, be most profitable to the international community as a whole.

In their call for major change and major action leading developing countries, in particular India, demanded decisive reforms in the areas of money and finance, including reform of the international financial institutions, as requested by the March 1983 Non-Aligned Summit in New Delhi. In this same context references were made to the Williamsburg Summit communiqué and to the proposals of New Zealand Prime Minister Robert Muldoon, as well as to proposals contained in the report of the UN Committee for Development Planning, a 25-member group of national experts. This Committee's

report to ECOSOC and the UN General Assembly had proposed the establishment of an ad hoc UN-sponsored group, composed of IMF, World Bank, GATT and UNCTAD officials as well as eminent independent experts. The group should explore existing proposals for reform and modalities for negotiating change in the international system for cooperation in trade, money and finance. An attempt to establish such a group failed in ECOSOC before it reached the floor as neither the industrial nor the developing countries could reach a common position on this approach.

Summing up after the General Debate, ECOSOC President Ambassador Sergio Correa da Costa of Brazil doubted that the New Delhi, Williamsburg and other initiatives for exploration of change in the monetary and financial system had the same meaning for all parties but believed ECOSOC's general debate had put the issue itself squarely on the agenda and even possibly on the road towards a convergence of views.

ECOSOC also devoted its attention to food, energy, multinational corporations, technical and economic cooperation between developing countries and a variety of other economic issues. Its principal focus, however, was on the whole complex system of technical assistance activities conducted under the UN aegis by more than thirty UN-related organizations and agencies. In its first major review of the system as a whole, ECOSOC's attention concentrated especially on improved financing and management.

The Managing Director addressed ECOSOC on July 8, 1983 and, for the session as a whole, the Fund was represented by Jan-Maarten Zegers, Special Representative to the United Nations.

### General Debate

The current global economic situation, the present signs of economic recovery, as well as the measures to be taken for strengthening that recovery, constituted the major themes of the seven-day General Debate in the early part of the ECOSOC session. Participating in this Debate on July 8, 1983, the Managing Director also addressed these subjects and so did UN Secretary-General Javier Perez de Cuellar when he opened the session on July 6. In addition, the General Debate reflected that fact that the UNCTAD VI Conference ended only days before ECOSOC convened, leading to the first, mostly cautious, evaluations of that event.

In his opening address, Secretary-General Perez de Cuellar focused first on the results of UNCTAD VI which he called "not commensurate with the gravity of the situation in the developing countries and the requirements of the world economy at large." He could, therefore, well understand the dissatisfaction expressed by developing countries, even though, in his view, limited but concrete results had been achieved in important areas. However, he said, interrelated immediate measures in favor of the developing countries--as proposed in UNCTAD--remained necessary, even if there were signs of economic recovery. In his view, the feeling that the recovery in the industrial countries would help the developing countries in the immediate future

might have been one factor inhibiting key governments in Belgrade from considering some such specific measures of immediate benefit to the developing countries. According to the Secretary-General, there was a serious risk in relying on the certainty and durability of a sufficiently widespread process of recovery. There would also be an unavoidable lag effect, particularly in the areas of trade and finance, for the developing countries. Consequently, there was, he felt, little alternative to special measures, in particular action on liquidity and finance, including positive decisions on SDR allocation, access to Fund resources, compensatory financing and the seventh replenishment of IDA. He also called for an examination of the functioning and rules of the international monetary and financial system and suggested support for the establishment of an ad hoc expert group under UN auspices to examine the full range of existing proposals for reform.

Speaking early in the General Debate and exclusively about UNCTAD VI, UNCTAD Secretary-General Gamani Corea offered what he called a "preliminary and tentative evaluation." To him, UNCTAD VI had been singularly important because it addressed issues of crucial importance in a very difficult economic environment with a cohesive agenda interlinking issues of trade, commodities, and finance. Furthermore, compared to previous ones, this conference had been particularly well prepared and attended at the highest government levels. However, its decisions did not provide a strong overall response to current needs and, in his view, the Conference had failed to come up with a vigorous program for recovery and development. This constituted, he felt, an opportunity missed and a striking shortcoming. Analyzing decisions and resolutions on individual issues, he singled out the issue of money and finance as having been treated with the greatest degree of hesitation and caution. For instance, although no specific decisions on SDR allocation could be expected, he had hoped that the UNCTAD deliberations might have provided a thrust which would have encouraged a decision in relevant fora.

Many other speakers referred to the UNCTAD Conference, those from the developing countries mostly expressing their disappointment while representatives of the industrial countries tended to emphasize positive aspects. Maybe typical for the latter group was Ambassador Tomohiko Kobayashi of Japan who said that, although the results of the Belgrade meeting might not have been as spectacular as had been expected by some countries, mutual understanding had grown and agreement had been reached on many important issues. Among these he mentioned the recognition of the need for the early inauguration of the Common Fund, the establishment of an expert group to study the compensatory financing of export shortfalls, the need to implement a rollback in protectionism without making it dependent on economic recovery, the adoption by consensus for the first time of a resolution on monetary issues, and an increase of ODA to least developed countries as well as positive approaches to the debt relief problem of these countries.

While these early assessments of the UNCTAD Conference were to be expected because ECOSOC convened immediately afterwards, the main focus of most country representatives was on general economic conditions, prospects and policies, the latter including those of the International Monetary Fund.

In this respect, Ambassador Gunther van Well, of the Federal Republic of Germany, stated that "Finance remains the key to economic growth. Therefore, every effort must be made to strengthen the effectiveness of the international financial system and to ensure a continuing flow of financial resources. The strategy should be based on four elements: effective adjustment and development policies by debtor countries; adequate private and official financing; more open markets and worldwide recovery." ECOSOC should, in his view, appreciate the determined and, in all cases, successful crisis management efforts over the last twelve months of the Fund, the BIS, governments of debtor and creditor countries and private banks. He described the measures taken to strengthen the Fund and suggested that with these and other short- and medium-term measures the smooth functioning of world capital markets could be restored. The question of long-term reform measures was under study but, in his view, there was perhaps more certainty about what no longer worked than about what would work. In this context, he referred to the Williamsburg decision for a study of the conditions for improving the international monetary system and to ongoing consultations among governments and central banks towards greater exchange rate stability.

Speaking on the same subject, Ambassador Anne Warburton, of the United Kingdom, rejected what she called the "myth of the non-system", in particular that the international financial institutions had neglected their responsibilities; had not evolved; and that, as she put it "the time had come to dig them up and look at the roots." Looking at it the other way around, she asked how it was that in the face of the worst economic difficulties since the 1930s the miserable experiences of those years had not been repeated. She was, she said, frankly impressed by the contribution of the Fund and the Bank to the management of the recent crisis. These institutions had adapted to circumstances and had, in coping with current difficulties, shown flexibility and skill. "We do not," she stated, "support the international financial institutions for their antiquarian value but simply because they are effective."

A diametrically opposed view was presented by Ambassador Muchkund Dubey of India who stated that, although the present crisis had cyclical aspects there was massive evidence to support the view that the world monetary, financial and trading system, which had governed post-war international economic relations, was not only unjust and inequitable, but had also proved incapable of coping with the problems of the present economic crisis. These monetary, financial and trade systems, he stated, were established before the emergence of most developing countries and therefore did not take their interests into account and its rules were so framed as to enable the developed countries to retain the then existing colonial and other privileges. He saw the present system as dominated by the key currency countries and their domestic requirements, a system also where the deficit countries--mainly the developing countries--had to bear the main brunt of downward adjustment without commensurate obligations being imposed on the surplus countries. Over the years some evolution, in making the system more sensitive and responsive to the developing countries, had taken place but the main elements of this evolution, as well as the original principles and procedures,

had been seriously eroded. These inadequacies called, in his view, for the convening of an International Conference on Money and Finance for Development with universal participation, as proposed by the March 1983 Conference of Heads of States and Governments of Non-Aligned Countries in New Delhi. He stated that it was imperative that governments pursue the idea of reforming the international monetary and financial system and initiate the necessary preparatory process for the convening of the proposed conference.

Ambassador Bryce Harland of New Zealand also expanded on international monetary reform and described the approach advocated earlier and elsewhere by Prime Minister Muldoon of New Zealand regarding reform and strengthening of the Fund.

Representative David Lee of Canada stated that, over the longer-term, Canada would also play its part in helping define the conditions to improve further the functioning of the international monetary system. "We have noted," he said, "the various suggestions made for ways to examine and possibly improve the current system and are considering them carefully and with an open mind. This includes, as stated in the Williamsburg declaration, the part which might in due course be played in the process by a high level monetary conference." In describing Canada's current contribution to the functioning of the Fund and the Bank, he mentioned, inter alia, that Canada, in order to increase international liquidity would be ready to support some increase in SDRs when this subject would be discussed by the IMF in September.

Senator Cecile Goldet, Head of the French ECOSOC delegation, outlined a program of measures for sustained economic recovery which called for containing inflationary pressures, reducing budget deficits and real interest rates, increased liquidity flows towards the developing countries, SDR allocations, and strengthening World Bank resources. In the context of the need for more exchange rate stability, she also referred to the suggestion of President François Mitterrand of France for the convening of a monetary conference.

Ambassador Bachir Ould Rouis of Algeria considered the current outlook for economic recovery "very uncertain, particularly for the developing countries which still had to cope with the full effect of the crisis of the early eighties." These countries suffered from a liquidity shortage, resulting from massive debt service and the decline in their terms of trade. However, in his view, the response of the international monetary and financial system had been unequal and accompanied by conditionality of a kind which rendered it inefficient and, in any case, unrelated to the pressing needs of the developing countries. He therefore supported the call of the non-aligned countries for an international monetary conference which, after adequate preparation, should undertake a concerted reform of the international monetary system.

Enrique Ter Horst, head of Venezuela's ECOSOC delegation, felt that current economic and financial policies had led to an inflationary rate for the U.S. dollar and argued that these policies had also made it difficult for the developing world to cope with the situation, due in particular to the low level of international liquidity. He called for an increase in IMF resources and stated that more liberal terms for compensatory financing had acquired particular importance for developing countries.

Ejaz A. Naik, Secretary of the Economic Affairs Division, and head of the Pakistan delegation, argued that even with an economic upturn in the industrial countries, the external finances of the developing countries would continue to be under strain, caught as they were in a cleft stick of high interest rates on one side and low commodity prices on the other. He saw increasing balance of payments difficulties for these countries and increasingly difficult access to borrowing. The magnitude of these deficits and the projected burden of debt service payments called, in his view, for bold and imaginative solutions among which he mentioned low-conditionality adjustment programs, imaginative approaches to anticipatory debt rescheduling, a debtors' club as well as progress in combating protectionism and enhancing capital flows. He expanded on the need to relax restrictions in the Atlantic countries on temperate agricultural products and added that the sharp decline in the terms of trade of the developing countries required effective measures to combat this evolution. "Unless a substantial change in the pattern of global production, trade, capital flows and exchange takes place", he said, "the dangers inherent in the present situation are likely to cause grave damage to the already fragile economic system of the free world." In connection with the debt problem, he argued that it was time to address it in its full magnitude rather than on a case-by-case basis. A policy of dealing with debt problems on a crisis basis and at the last moment, rewarded the spendthrift only, he said, adding that the policy of not accommodating the better managed economies which anticipated debt difficulties a few years in advance, could hardly be in the interest of either the borrower or the lender.

Ambassador José Sorzano, head of the United States ECOSOC delegation, emphasized the signs of economic recovery in his country and their positive impact on the world economy. He also questioned the need for calls to partially or totally restructure the world financial system and stated it was the strong belief of his delegation that no such drastic proposals were needed to meet current problems. "We face today what is overwhelmingly, though not entirely, a short-term liquidity problem", he stated, adding that "the existing financial mechanisms, including the IMF, the World Bank, the BIS and the commercial banking structure are proving themselves capable of dealing with the problem and have thankfully averted disaster. They have shown already that they are not the rigid, inflexible institutions some would have us believe but are, instead, imaginative, innovative, aware of the problems and determined to resolve them in a way that ultimately will accrue to the benefit of all, debtors and creditors alike." In his view, one could consider that, without minimizing the gravity of the difficulties still to be overcome there were signs pointing to an amelioration of the debt crisis. He, as well as Ambassador Tom Vraalsen of Norway, speaking for the Nordic countries, emphasized that the IMF's

role in helping the adjustment process of the developing countries would be more important than ever. Ambassador Vraalsen was also one of the several ECOSOC delegates who called for continued efforts to reach agreement on the proposal to hold a conference on global negotiations.

Proposal for reform discussions on trade, money and finance. In the context of the above illustrative review of a spectrum of views expressed in ECOSOC's General Debate, it might finally be mentioned that many speakers, particularly from developing countries, referred to the report of the Committee for Development Planning, a 25-member group of national economic experts meeting under UN auspices to review global economic conditions and make recommendations to ECOSOC and the UN General Assembly. Its rapporteur, Professor Gohran Ohlin of Sweden, presented this April 1983 report during the General Debate. In its report the Committee proposed in the context of review and reform of the international system for cooperation in trade, money and finance, inter alia, the establishment of an ad hoc group under the auspices of the United Nations, composed of high level experts from its concerned agencies and bodies, particularly the IMF, World Bank, UNCTAD and GATT, as well as independent personalities with extensive experience of the issues involved. This group, in the words of the report, should examine the full range of existing proposals for reform and consult all relevant parties and should also consider possible modalities for the negotiation of change, recognizing the wide diversity of interests and needs in the world community. The agenda, said the report, should cover the exchange rate system, the provision of international liquidity, the interrelationship between trade, investment and monetary policies, the institutional needs in the field of international finance, the need for a strong development orientation of the arrangements and more power sharing in international institutions.

#### Operational Activities for Development

The complex array of highly varied assistance programs, funded through and executed by more than 30 UN-related programs, organizations and specialized agencies has grown to such proportions that the UN General Assembly decided on a triennial review and assessment exercise to be held for the first time in 1983. ECOSOC started this process during the recent session on the basis of an overview report prepared by the UN Director-General for Development and International Economic Cooperation, Jean Ripert. These technical assistance and pre-investment activities, traditionally referred to as "Operational Activities for Development of the United Nations System" covered in 1981 expenditures totaling US\$2.3 billion, with nearly 50 percent allocated to agriculture, health, and population projects, and including some US\$600 million in food aid distributed through the UN World Food Program. All in all, the organizations of the UN system currently carry out operational programs in about 150 countries and territories, and the number of on-going projects financed partly or wholly by the system is well above 5,000, involving nearly 15,000 technical assistance experts.

After a period of rapid growth in the seventies when governmental funding of these activities--all as voluntary grant contributions--rapidly increased, the financial growth rate leveled off. While financial contributions had increased by 40 percent in real terms between 1973 and 1978, the growth rate slowed down to 14 percent between 1978 and 1981 with a further decline in the last two years, leading to actual cuts in planned expenditures and programs. In particular, the United Nations Development Programme (UNDP) which is the main funding channel for activities executed mostly by other UN-related organizations and agencies, has suffered from this decline. As the Deputy Administrator of UNDP, Arthur Brown, pointed out, UNDP's resource base in voluntary contributions has stagnated at about the same level for the past few years--slightly under US\$700 million annually--leading to a 10 percent decline in field program expenditures in 1982, compared to 1981, with further cuts expected in coming years. He suggested that the proliferation of new UN funds and programs, all competing for resources had led to a dilution of support for the established central channels for multilateral development activities and to concerns about overlapping and duplication, lack of coherence and reduced cost effectiveness on the part of donor governments. There had also been a trend on the part of donors to tie contributions to the procurement of goods and services in the donor countries, a factor which had diminished a distinguishing characteristic between multilateral and bilateral technical assistance programs resulting in what is referred to as the multi-bi approach. He considered it possible that UNDP might also be forced to adopt its modus operandi in this direction.

In his own statement, as well as in his report, Director-General Ripert defended what he called the "polycentric" UN assistance program, while agreeing that there was considerable room for more selective concentration on priority areas, better governmental and intergovernmental coordination as well as improvement in quality and cost-effectiveness. Particularly in the area of support and administrative costs, improved transparency was needed while internal evaluation should also be strengthened.

ECOSOC's discussion showed considerable unhappiness with the functioning of the assistance apparatus, particularly on the part of the donor countries which expressed their views most forcefully in the debate. The statement of the Canadian representative, David Lee, reflected probably most clearly the views of the most active donor countries. He, as well as others, saw the report of the Director-General as trying to incorporate too many positions of assistance organizations and, therefore, lacking focus on the various elements designed to bring coherence and coordination to the UN development system. The system's diversity and flexibility has advantages but these qualities were not necessarily always compatible with coherence and coordination. While recognizing the need for better governmental guidance, he also emphasized strongly the need for improved internal evaluation and effective management guided by a sense of collective purpose. In addition, administrative questions such as the harmonization of various procedures among organizations and the reduction of administrative costs along with a study of their relationship to program delivery were all necessary elements for more efficient management. "As long as the system

allows a proliferation and multiplicity of operational methods, the longer it will be before the system can refute the inevitable accusations of inefficiency", he stated, "accusations which the report rightly points out are seldom backed by tangible evidence, but which the report is unable to refute because of that same lack of evidence."

He added that the resources which funding Governments were willing to provide were closely linked to their perception of the extent to which the programs were effective in meeting the real needs of developing countries and the extent to which the system was not only efficient but was also perceived by their legislatures and publics to be efficient.

Representatives from developing countries also saw room for improved management but tended to concentrate on the need for increased financing. Indian Ambassador Muchkund Dubey reflected these views when he stated that the problem of resource availability was at the heart of the present crisis affecting operational activities for development. He argued that, even if the political climate was not very propitious, assessed rather than voluntary contributions were required to guarantee stable and predictable funding for these UN activities. Other developing countries did not go quite that far but still insisted on the need for stronger financial support. The Group of 77 countries issued a lengthy declaration embodying its views on the subject, particularly emphasizing the need for assured resources which would at least maintain the real value of the current level of resources. They also stressed the need for increased use of local, national experts and local procurement. ECOSOC decided to continue further debate on the issue at the next General Assembly session. There was, however, a feeling that the whole array of operational activities for development had grown so complex, with so many centers of power, that it had become nearly impossible to regain central control.

#### Food and Agriculture

The extremely varied conditions in the area of food and agriculture received considerable attention in ECOSOC. Edouard Saouma, Director-General of FAO, gave, in addressing ECOSOC, a panoramic view of the present international situation where food surpluses are building up in major production areas while elsewhere, particularly in Africa, production is declining and not keeping pace with population growth. Globally, he said, 1982 harvests were excellent with grain output estimated at 1.5 billion tons, an increase of 3.5 percent over 1981. Again, globally, production of all types of food rose by 2.5 percent. Also the developing countries increased their production by 2.4 percent but per capita availability decreased nevertheless, by 0.9 percent in the market economy developing countries. Grain output per head in 33 of the 69 low-income food-deficit countries decreased and production even declined in volume in 24 of these countries. Africa, he said, continued to cause grave concern with declining food production, feed shortages for livestock, epizootic diseases and wide-ranging drought, particularly now in the southern part of the African Continent.

Global production prospects for 1983 indicate a marked falling off after two years of exceptional grain harvests mainly due to area reduction programs in the United States and unfavorable weather conditions in some parts of Europe and particularly Africa. While current grain stocks were high and covered 21 percent of world consumption, it was understandable that some governments in major production areas, particularly in the industrial world, encouraged a reduction in planted acreage. However, stocks--mostly concentrated in a small number of developed countries--could easily be absorbed in a few years of bad harvests. Furthermore, it should be taken into account that grain stocks largely consisted of feed grains.

In these circumstances, he considered the establishment of what he called a "real lasting, stable food security system, safe from production fluctuations" more than ever necessary. In his view, such food security should aim at three basic goals: to guarantee adequate production, to stabilize the flow of supplies to the utmost, and to guarantee access to available foods to those who need them.

He argued that while even in the rich countries farmers' incomes had declined, those of the developing world had been hardest hit. Their agriculture needed massive investments to confront the needs of a sharply rising population which was undergoing rapid urbanization. One problem was, for instance, that of fertilizers. Fertilizer use was dropping in the Third World as many countries had to reduce fertilizer imports and use for lack of foreign earnings or to reduce subsidies on fertilizer prices. He wondered, therefore, whether--as several members of the FAO Fertilizer Committee had recently suggested--one should consider a kind of "fertilizer facility in the IMF, similar to that established for cereals." He hoped for careful study of this question and for a mechanism that might absorb rises in the cost of imports of fertilizers and other production inputs. Another major factor was agricultural prices. On the one hand there was a need for a fair remuneration of agricultural labor and on the other hand social and political reasons pushed towards low consumer prices. He wondered whether a two-tier price system should be established, or other forms of income support systems for producers as existed in most developed countries. He considered this to be too expensive for most developing countries. Indeed, the reductions of food or other (fertilizer) subsidies were often associated with IMF adjustment programs. A further major problem was the collapse of basic commodity prices which had constantly eroded the terms of trade of many developing countries. He called, therefore, for stabilization of markets at remunerative prices, if need be through flexible methods involving international consultations and informal arrangements. Finally, protectionism affected also the agricultural sector and he gave as an example that a 50 percent reduction of the protection granted to food producers and livestock in the OECD countries would add US\$3 billion to the annual receipts of developing countries.

Maurice Williams, Executive Director of the World Food Council, also reported on the recent meeting of this UN organ at the end of June 1983. Two major lines of action had emerged, he said, from these deliberations. The first was that present instruments of international food security should

be more fully supported and utilized. This meant that the internationally agreed targets of the International Emergency Food Reserve, the Food Aid Convention, and the World Food Program should be reached and that, as he put it, "developing countries in need should make more appropriate use of food aid and of the financial facility of the International Monetary Fund." The second was a reaffirmation that increased food production, improved storage, stockbuilding, marketing and distribution should be pursued within the framework, and as a central objective, of national food strategies. This emphasis on food strategy and policy development would also identify, in addition, the vital links between domestic production, trade opportunities and market stability.

Still another perspective was provided by James C. Ingram, Executive Director of the World Food Program, which provides large-scale food aid in kind as well as project food aid in such areas as land development and rehabilitation, settlement schemes and dairy development. In his statement, he once more emphasized the intractable problem of a world production that was more than sufficient to provide enough food for all while, at the same time, hundreds of millions of people were still condemned to hunger and malnutrition. In his view, the problem was not simply one of production but also of distribution of food, both within countries and between countries. Food aid was, therefore, an important instrument to address both aspects. A free or highly concessional transfer of food from surplus to deficit countries could help redress imbalances in international distribution. Within recipient countries, food aid was increasingly targeted to the most needy and thus helped to improve access. He also emphasized that food aid was genuinely additional since no major food aid supplier would contemplate replacing it with financial assistance. Food aid represented more than 10 per cent of the total flow of development assistance from the OECD countries and seemed to be more buoyant than other forms of assistance. Such food aid had also provided balance of payments and budget support although, in the past it had sometimes acted as a disincentive to increased production by enabling governments to establish food prices at levels too low to encourage local production. However, this had been realized, he said, and both food providers and recipients of food aid were now conscious of this potential disfunction and, generally, resolute and sophisticated in avoiding it. Partly with this in mind, increased emphasis was now placed on the need to link food aid with integrated national food strategies and policies. As one result, more than a quarter of total food aid was now used for project aid, well over half of that again to support agriculture and rural development either as payment for work or a stimulus in self-help projects, particularly also in Africa, a major recipient. Ingram noted that in the twenty years of its existence, the World Food Program, established as the food aid arm of the United Nations system, had committed more than US\$5 billion of assistance to over 1100 development projects and, in addition, had provided more than US\$1 billion in emergency operations.

ECOSOC, finally, also discussed a report of the UN Secretariat, reviewing the major activities in the areas of food and agricultural assistance of UN-related organizations. In general, ECOSOC considered that a more integrated presentation was required and requested a new reporting approach in this vein.

After extensive debate ECOSOC adopted a detailed resolution stressing the need for continued action to reinforce various policies aimed at increasing world food security as well as agricultural production and agricultural exports of the developing countries. There also was considerable emphasis on the removal of protectionist barriers to these exports. The resolution further called for measures, including technical and financial support arrangements, to improve the agriculture of developing countries and in particular food-self-reliance, of the food-shortage countries. A separate paragraph also requested renewed efforts to arrive at an International Wheat Agreement.

#### Multinational Corporations

The international operations of multinational, or, in UN terminology, transnational corporations have, for the past ten years, been the subject of considerable UN study and discussion, particularly within the UN Center on Transnational Corporations, a branch of the UN Secretariat, and in the UN Commission on Transnational Corporations, a 48-member inter-governmental UN organ. Originally promoted mostly by the developing countries, often in an adversary spirit, this UN activity has evolved considerably according to a new major study on "Transnational Corporations in World Development", produced by the Center.

The Executive Director of the Center, Sidney Dell, reported to ECOSOC that the study showed that a measure of pragmatism had emerged in relations between transnational corporations and host countries and that within the last decade progress had been made towards a major objective, that of strengthening the negotiating capability of developing host countries in their relations with transnational corporations, particularly in the areas of petroleum and mining and, in some countries, in the manufacturing sector. Improvements, in his view, had been especially noteworthy in resource projects where many features considered objectionable two decades ago, had disappeared. New arrangements, he said, were now typically designed to assure the host country increased financial and economic benefits, effective control of and participation in resource projects, and meaningful integration of the projects with the domestic economy of the host country. However, this was still far less the case for downstream activities such as processing, marketing and distribution which were largely controlled by multilateral corporations. The recession had also weakened the negotiating position of developing countries and pressured them to grant more liberal treatment to multilateral corporations on resource projects in a climate where competition for investment was heavy but investment finance scarce.

Executive Director Dell also reported to ECOSOC on the long drawn out negotiations on a UN Code of Conduct governing the behavior of transnational corporations, the base or home countries of such corporations, and the receiving of host countries. More than four years ago, a group of negotiators started work on such a code. A multibracketed text has emerged but an attempt last March by the group's Chairman to seek agreement on a consolidated compromise text fell apart. In particular the OECD countries regarded as

insufficiently clear the draft language regarding the application of national or international law by host countries with respect to multinational corporations. Another issue which caused problems to both the industrial and the developing countries was the code's vagueness with respect to its coverage of multinational corporations based in centrally planned economies but also operating abroad. Particularly the United States has taken a strong stand on this matter and did so again during the ECOSOC discussion. In the Chairman's compromise text, submitted to ECOSOC, there was considerable agreement on many provisions of the code, including those governing balance of payments aspects. However, a number of other technical difficulties remained. Furthermore, behind any agreement on a code text looms the still unsolved question whether this code would be of a voluntary or obligatory nature with the developing countries preferring the first option, the industrial countries the second.

Nevertheless, Executive Director Dell remained of the view that agreement was within grasp. ECOSOC decided to consider an extension of the negotiations at the next General Assembly.

#### Other Matters

Energy was dealt with in two UN Secretariat reports, one addressing the development of the conventional commercial energy resources of the developing countries and another one the development of new and renewable sources of energy. Both had been requested by the UN General Assembly and, after a preliminary discussion, ECOSOC sent them on to the Assembly with a request for expanding the reports. Both reports were largely descriptive and analytical, the first one focusing on current commercial energy potential in the developing countries, the energy investment requirements in the next twenty years, the external financing requirements and the potential for relieving financial and non-financial constraints to energy development. The second report focused largely on the follow up to the 1980 Nairobi Conference on new and renewable sources of energy, analyzing areas for priority action as well as ways and means for mobilization of financial resources.

Still another UN Secretariat report which ECOSOC received, attempted an analytical and descriptive review of the role of the public sector in promoting the economic development of developing countries, mostly emphasizing its positive contribution but also mentioning some of its weaknesses. ECOSOC's interest in this matter and the report itself had been stimulated mostly by the centrally planned economy countries who again sponsored a supportive resolution. ECOSOC also asked the organizations of the UN system for added support of technical and economic cooperation between developing countries.

Another subject for discussion had been the strengthening of the capacity of the United Nations to respond to natural and other disaster situations. A resolution recommended several measures to this effect but attempts to substantially increase financing for this purpose failed.

ECOSOC also adopted a number of resolutions encouraging support for a variety of development objectives in Africa ranging from industrialization to transportation.

Assistance requests from a number of countries, particularly in Africa, to cope with problems caused either by natural or man-made disaster or emergency situations continued to be the subject of resolutions, as they have for a number of years. Ghana was added to the growing list of countries deserving special consideration and a resolution which invoked the reflux of over one million Ghanaians to the country, appealed for assistance in the country's general economic recovery efforts as well as the specific efforts to rehabilitate refugees. A UN Secretariat report described Ghana's current situation and its assistance needs.

ECOSOC also discussed assistance to the Palestinian people and adopted a resolution on the subject as well as on the question of "permanent sovereignty over national resources in the occupied Palestinian and other Arab Territories." A range of other matters not involving the Fund and dealing with such issues as consumer protection, human settlements, environment were also the subject of resolutions.

#### South Africa - Namibia

ECOSOC's agenda also included the annually recurring item of the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations. The discussion of this item tended again to concentrate on the efforts of the UN-related organizations on behalf of dependent territories and liberation movements with particular emphasis on South West Africa or Namibia, currently administered by South Africa. ECOSOC received a report based on consultations between the President of Ecosoc and the (Acting) Chairman of the Committee on Decolonization, a standing committee of the UN General Assembly. While praising and encouraging efforts of other UN-related agencies on behalf of the Namibian people, the President of ECOSOC and the Acting Chairman of the Decolonization Committee also expressed in their report their "profound concern at the continued assistance given to the South African regime by the International Monetary Fund, in particular the granting in November 1982 of a loan of SDR 1 billion." In their view, such assistance might strengthen South Africa's military capability. During the ECOSOC debate a number of countries, members of the Fund as well as non-members, expressed themselves in similar terms. Following this discussion, ECOSOC adopted a resolution (ATTACHMENT I) which contained a preambular paragraph 8 referring to the Fund and an operational paragraph 9 stating that ECOSOC "Deeply deplores the persistent collaboration of the International Monetary Fund with the Government of South Africa, in disregard of repeated General Assembly resolutions to the contrary and urgently calls upon the International Monetary Fund to put an end to such collaboration." A number of industrial countries objected to the language referring to the Fund and abstained on the resolution while the United States voted against.

The outcome of the vote in the 54-member Council was as follows:

In favor: Algeria, Argentina, Bangladesh, Benin, Botswana, Brazil, Bulgaria, Byelorussian SSR, China, Colombia, Congo, Djibouti, Ecuador, German Democratic Republic, India, Kenya, Lebanon, Liberia, Malawi, Mali, Mexico, Pakistan, Peru, Poland, Qatar, Romania, St. Lucia, Saudi Arabia, Sudan, Swaziland, Suriname, Thailand, Tunisia, USSR, Venezuela

Against: United States

Abstaining: Austria, Canada, Denmark, France, Federal Republic of Germany, Greece, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, United Kingdom.

In a prior, separate vote on the two Fund-related paragraphs, the outcome had been essentially the same, except that the United Kingdom joined the United States in voting against. After the vote, a number of countries stated that they had withheld their support because they considered the references to the Fund inappropriate.

ECOSOC also adopted a resolution calling on governments and multilateral corporations to terminate business activities in South Africa. This resolution was adopted with 36 votes in favor, 3 against, and 11 abstentions.

ECOSOC RESOLUTION 1983/42

(provisional text)

Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations and assistance to the oppressed people of South Africa and their national liberation movement by agencies and institutions within the United Nations system

The Economic and Social Council,

Having examined the report of the Secretary-General 4/ and the reports of the President of the Economic and Social Council concerning the questions of the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations 5/ and assistance to the oppressed people of South Africa and their national liberation movement by agencies and institutions within the United Nations system, 6/

Having heard the statements of the Chairman of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples and the Acting Chairman of the Special Committee against Apartheid,

---

4/ A/38/111 and Add.1.

5/ E/1983/102.

6/ E/1983/106.

Recalling General Assembly resolution 1514 (XV) of 14 December 1960, containing the Declaration on the Granting of Independence to Colonial Countries and Peoples, and all other resolutions adopted by United Nations bodies on this subject, including in particular Assembly resolution 37/32 of 23 November 1982 and Council resolution 1982/47 of 27 July 1982,

Reaffirming the responsibility of the specialized agencies and other organizations within the United Nations system to take all effective measures, within their respective spheres of competence, to ensure the full and speedy implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples and other relevant resolutions of United Nations bodies,

Noting with deep concern that the situation obtaining in southern Africa continues to present a serious threat to peace and security as a result of South Africa's intensified and ruthless repression, its policy and practice of apartheid and other gross violations of human rights of the peoples in Namibia and South Africa and its armed aggression and military, political and economic destabilization directed against independent States in the region,

Deeply conscious of the continuing critical need of the people of Namibia and their national liberation movement, the South West Africa People's Organization, for concrete assistance from the specialized agencies and the international institutions associated with the United Nations in their struggle for liberation from the illegal occupation of their country by the racist minority regime in South Africa,

Deeply concerned that, while progress has been maintained through the continuing efforts of the United Nations High Commissioner for Refugees in the extension of assistance to refugees from southern Africa, the action taken thus far by the organizations and agencies concerned in the provision of assistance generally to the people of Namibia is still far from adequate to meet their urgent and growing needs,

Gravely concerned at the continued collaboration of the International Monetary Fund with the Government of South Africa in disregard of relevant General Assembly resolutions,

Noting with satisfaction the continuing efforts of the United Nations Development Programme in the extension of assistance to the national liberation movements concerned, and commending the initiative taken by that organization in establishing channels for closer, periodic contacts and consultations between the specialized agencies and United Nations institutions and the Organization of African Unity and the national liberation movements in the formulation of assistance programmes,

Noting further the high-level meetings held at Addis Ababa in April 1983 between representatives of the General Secretariat of the Organization of African Unity and the secretariats of the United Nations and other organizations within the United Nations system, in accordance with General Assembly resolution 37/15 of 16 November 1982 on co-operation between the United Nations and the Organization of African Unity,

Mindful of the Paris Declaration on Namibia 7/ and the Programme of Action on Namibia 8/ adopted by the International Conference in Support of the Struggle of the Namibian People for Independence, held in Paris from 25 to 29 April 1983,

1. Takes note of the reports of the President of the Economic and Social Council and endorses the observations and suggestions contained therein;

2. Reaffirms that the recognition by the General Assembly, the Security Council and other United Nations organs of the legitimacy of the struggle of colonial peoples to exercise their right to self-determination and independence entails, as a corollary, the extension by the United Nations system of organizations of all the necessary moral and material assistance to the peoples of the colonial territories and their national liberation movements;

3. Expresses its appreciation to those specialized agencies and organizations within the United Nations system which have continued to co-operate in varying degrees with the United Nations and the Organization of African Unity in the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples and other relevant resolutions of United Nations bodies, and urges all the specialized agencies and other organizations within the United Nations system to accelerate the full and speedy implementation of the relevant provisions of those resolutions;

4. Requests the specialized agencies and other organizations within the United Nations system, in the light of the intensification of the liberation struggle in Namibia, to do everything possible as a matter of urgency to render, in consultation with the Organization of African Unity and the United Nations Council for Namibia, increased assistance to the people of Namibia, in particular in connection with the Nationhood Programme for Namibia;

5. Requests also the specialized agencies and other organizations within the United Nations system to continue to take, in accordance with the relevant resolutions of the General Assembly and the Security Council, all necessary measures to withhold any financial, economic, technical or other assistance to the Government of South Africa until that Government restores to the people of Namibia their inalienable right to self-determination and independence, and to refrain from taking any action which might imply recognition of, or support for, the illegal occupation of Namibia by that regime;

6. Requests further the specialized agencies and other organizations within the United Nations system, in accordance with the relevant resolutions of the General Assembly and the Security Council on the apartheid policy of the Government of South Africa, to intensify their support for the oppressed people of South Africa and to take such measures as will totally isolate the apartheid regime and mobilize world public opinion against apartheid;

7. Strongly condemns the military attacks of South African armed forces on Namibian refugee camps and settlements in Angola, and requests the United Nations High Commissioner for Refugees and other competent organs of the United Nations and international organizations, as a matter of urgency, to use all ways and means to ensure the protection of those refugees and their safety from such attacks;

---

7/ A/38/189-S/15757, annex I.

8/ Ibid., annex II, sect. III.

8. Strongly condemns the blatant aggression of the Pretoria regime in its bombing attack on Mozambique in the spring of 1933 and the frequent acts of destabilization carried out by that regime against the front-line States, which have resulted in heavy loss of life, the creation of large numbers of refugees and massive destruction;

9. Deeply deplores the persistent collaboration of the International Monetary Fund with the Government of South Africa, in disregard of repeated General Assembly resolutions to the contrary, and urgently calls upon the International Monetary Fund to put an end to such collaboration;

10. Recommends that a separate item on assistance to national liberation movements recognized by the Organization of African Unity should be included in the agenda of future high-level meetings of the General Secretariat of the Organization of African Unity and the secretariats of the United Nations and other organizations within the United Nations system, with a view to further strengthening the existing measures of co-ordination of action to ensure the best use of available resources for assistance to the peoples of the colonial territories;

11. Notes with satisfaction the inclusion of Namibia, represented by the United Nations Council for Namibia, in the membership of the International Atomic Energy Agency and the International Telecommunication Union, in accordance with General Assembly resolution 37/233 C of 20 December 1982, and urges the specialized agencies and other organizations of the United Nations system which have not yet granted full membership to the United Nations Council for Namibia to do so without delay;

12. Notes with satisfaction the arrangements made by several specialized agencies and United Nations institutions which enable representatives of the national liberation movements recognized by the Organization of African Unity to participate fully as observers in the proceedings relating to matters concerning their respective countries, and calls upon those international institutions which have not yet done so to follow this example and make the necessary arrangements without delay, including arrangements to defray the cost of the participation of those representatives;

13. Recommends that all Governments should intensify their efforts in the specialized agencies and other organizations within the United Nations system of which they are members to ensure the full and effective implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples and other relevant resolutions of United Nations bodies;

14. Urges those specialized agencies and organizations within the United Nations system which have not already done so to include in the agenda of the regular meetings of their governing bodies a separate item on the progress made by those organizations in their implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples and other relevant resolutions of United Nations bodies;

15. Further urges the executive heads of the specialized agencies and other organizations within the United Nations system to formulate, with the active co-operation of the Organization of African Unity, and to submit, as a matter of priority, to their governing and legislative organs concrete proposals for the full implementation of the relevant United Nations decisions;

16. Draws the attention of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples to the present resolution and to the discussions on the subject at the second regular session of 1983 of the Council;

17. Requests the President of the Economic and Social Council to continue consultations on these matters with the Chairman of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples and the Chairman of the Special Committee against Apartheid and to report thereon to the Council;

18. Requests the Secretary-General to follow the implementation of the present resolution and to report thereon to the Council at its second regular session of 1984;

19. Decides to keep these questions under continuous review.