

GOVERNMENT

Storage

COMMITTEE PRINT

DOCUMENTS

MAR 1 1976

THE LIBRARY
KANSAS STATE UNIVERSITY

NORTH-SOUTH DIALOGUE

REPORT

OF A

STAFF STUDY MISSION

TO THE

CONFERENCE ON INTERNATIONAL

ECONOMIC COOPERATION

HELD IN PARIS, DECEMBER 16-19, 1975



FEBRUARY 9, 1976

Printed for the use of the Committee on International Relations

U.S. GOVERNMENT PRINTING OFFICE

63-871

WASHINGTON : 1976

Y
4
In 8/16
D54



452969 009TTA
A11600 696254

COMMITTEE ON INTERNATIONAL RELATIONS

THOMAS E. MORGAN, Pennsylvania, *Chairman*

CLEMENT J. ZABLOCKI, Wisconsin

WAYNE L. HAYS, Ohio

L. H. FOUNTAIN, North Carolina

DANTE B. FASCELL, Florida

CHARLES C. DIGGS, JR., Wisconsin

ROBERT N. C. NIX, Pennsylvania

DONALD M. FRASER, Minnesota

BENJAMIN S. ROSENTHAL, New York

LEE H. HAMILTON, Indiana

LESTER L. WOLFF, New York

JONATHAN B. BINGHAM, New York

GUS YATRON, Pennsylvania

ROY A. TAYLOR, North Carolina

MICHAEL HARRINGTON, Massachusetts

LEO J. RYAN, California

CHARLES WILSON, Texas

DONALD W. RIEGLE, JR., Michigan

CARDISS COLLINS, Illinois

STEPHEN J. SOLARZ, New York

HELEN S. MEYNER, New Jersey

DON BONKER, Washington

WILLIAM S. BROOMFIELD, Michigan

EDWARD J. DERWINSKI, Illinois

PAUL FINDLEY, Illinois

JOHN H. BUCHANAN, JR., Alabama

J. HERBERT BURKE, Florida

PIERRE S. DU PONT, Delaware

CHARLES W. WHALEN, JR., Ohio

EDWARD G. BIESTER, JR., Pennsylvania

LARRY WINN, JR., Kansas

BENJAMIN A. GILMAN, New York

TENNYSON GUYER, Ohio

ROBERT J. LAGOMARSINO, California

MARIAN A. CZARNECKI, *Chief of Staff*

GEORGE M. INGRAM, *Staff Consultant*

(II)

FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., February 9, 1976.

This report has been submitted to the Committee on International Relations by the staff study mission that attended the Conference on International Economic Cooperation, December 16-19, 1975.

The findings in this report are those of the staff mission and do not necessarily reflect the views of the members of the full Committee on International Relations.

THOMAS E. MORGAN, *Chairman.*

(III)

FORNWORD

The first of these is the fact that the Commission on the Study of the History of the United States, which was organized in 1907, has since that time been engaged in a study of the history of the United States. The Commission has been organized by the President of the United States, and its members are the President, the Vice-President, the Speaker of the House of Representatives, the Chief Justice of the United States, and the members of the Supreme Court. The Commission has been organized by the President of the United States, and its members are the President, the Vice-President, the Speaker of the House of Representatives, the Chief Justice of the United States, and the members of the Supreme Court.

THOMAS H. MORGAN, Secretary.

and

LETTER OF TRANSMITTAL

FEBRUARY 9, 1976.

HON. THOMAS E. MORGAN,
Chairman, Committee on International Relations.

DEAR MR. CHAIRMAN: Transmitted herewith is a report of a staff study mission to the Conference on International Economic Cooperation, which was held in Paris, December 16-19, 1975.

The CIEC resumed the Producer-Consumer Dialogue which took place in April 1975 and is the first major forum for the consideration of international economic issues since the adoption of the Resolution on International Economic Cooperation by the Seventh Special Session of the United Nations (September 1975).

The Congress of the United States has taken a strong interest in the various proposals and discussion regarding the restructuring of the international economic system and has taken an active role in the formulation of U.S. foreign economic policy. Because of the committee's interest and responsibilities in these matters, you assigned me to attend and report on the Conference on International Economic Cooperation. The report follows.

GEORGE M. INGRAM,
Staff Consultant.

LETTER OF TRANSMITTAL

Dear Sirs:

I have the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the proposed amendments to the Constitution of the United States, and in reply to inform you that the same have been forwarded to the proper authorities for their consideration.

The Committee on the subject of the proposed amendments has taken a strong interest in the subject, and has held several public hearings on the subject, and has taken an active role in the discussion of the same. The Committee has also held several public hearings on the subject, and has taken an active role in the discussion of the same.

I am, Sir, very respectfully,
Your obedient servant,
John C. Calhoun

CONTENTS

	Page
Foreword -----	III
Letter of transmittal -----	V
Harmony or acrimony? -----	1
Likely direction of CIEC -----	2
Commissions -----	3
Decisions of CIEC -----	3

APPENDIX

I. Memorandums from the Preparatory Meeting for the Conference on International Economic Cooperation, October 13, 1975:	
Aide-Memoire attached to the French Government's letter of invitation dated September 15, 1975 -----	5
Lists of subjects to be discussed by the Commissions, as proposed by the United States of America -----	6
Document submitted by Algeria, Saudi Arabia, Brazil, India, Iran, Venezuela, and Zaire, in connection with the subject to be discussed by the Commissions -----	7
Final declaration of the Preparatory Meeting for the Conference on International Economic Cooperation, October 16, 1975 -----	7
II. Final Communique of the Conference on International Economic Cooperation, December 19, 1975 -----	10
III. Address by Secretary of State Henry A. Kissinger at the Conference on International Economic Cooperation, December 16, 1975 -----	12

CONTENTS

1923

1924

1925

1926

1927

1928

1929

1930

1931

1932

1933

1934

1935

1936

1937

1938

1939

1940

1941

1942

1943

1944

1945

1946

1947

1948

1949

1950

1951

1952

1953

1954

1955

1956

1957

1958

1959

1960

1961

1962

1963

1964

1965

1966

1967

1968

1969

1970

NORTH-SOUTH DIALOGUE

HARMONY OR ACRIMONY?

Despite press emphasis on the "acrimony" during the resumed North-South Dialogue (CIEC) in Paris, the Conference of 19 developing and 8 industrial nations¹ was, for the most part, characterized by harmony, and, with the exception of the presentations of a few delegations, an absence of the usual new international economic order rhetoric. The ministerial conference can be judged a success simply by the fact that it took place and successfully launched the four commissions—on Energy, Raw Materials, Development, and Finance—and that the normal rhetoric was toned down—an indication that many of the participants are desirous of initiating a constructive dialogue.

Conclusion of the CIEC ministerial meeting was delayed by an Algerian proposal that the guidelines² for the commissions should be made more specific. The 19 developing nations were not unanimously in favor of this proposal; many seemed to support it only reluctantly. The compromise agreement—that the cochairmen will meet on January 26 to discuss the agenda—should be interpreted as a victory for the moderates who are concerned that the dialogue and the work of the commissions commence without demanding that the discussion and outcome be prejudged.

There were indications that the issue of enlargement of CIEC—increasing the representation of the developing nations—might be raised during the ministerial conference. The fact that it was not is another indication of the real desire of many participants to avoid acrimony and to establish a rhetoric-free dialogue.

Of the numerous issues raised by the new international economic order and the Sixth and Seventh Special Sessions of the United Nations, those that can be dealt with now and on which there are possible actions and compromises on specific proposals are before various international institutions: monetary and aid issues are before the IMF/World Bank and the regional lending institutions; trade issues are before the GATT; UNCTAD is working on a code of conduct for technology transfers; the U.N. is considering the establishment of an international center and bank for technology; consideration is being given to the establishment of an International Energy Institute and an International Industrialization Institute; an International Fund for Agricultural Development (IFAD) is being established to focus assistance in agricultural production; several specific commodity agreements have recently been signed.

¹ Industrial nations: Australia, Canada, EEC, Japan, Spain, Sweden, Switzerland, and the United States; Developing nations: Algeria, Argentina, Brazil, Cameroon, Egypt, India, Indonesia, Iran, Iraq, Jamaica, Mexico, Nigeria, Pakistan, Peru, Saudi Arabia, Venezuela, Yugoslavia, Zaire and Zambia.

² See appendix II, p. 10.

The hard issues regarding the restructuring of the international economic system—those on which there is least agreement—indexation, energy, raw materials—are before the CIEC commissions. The one area regarding raw materials in which a concrete proposal has been made—expanding the compensatory financing mechanism of the IMF in order to ease balance-of-payments problems due to the decline in export revenues—falls within the broader issue of stabilization of all export earnings and is being acted upon in the IMF/World Bank forum. The espousal of the concepts of indexation and of an integrated commodity program to protect the price of raw materials has been utilized to publicize and draw attention to the problems of many developing nations in raw materials but has not entailed any explanation of how the concepts could be put into effect. To a large extent, the developing nations either (1) are not sure where their interests lie in regard to raw materials, because most are both exporters and importers, or (2) favor protecting raw material and energy prices but have no specific proposals for how this could be done.

LIKELY DIRECTION OF CIEC

Depending on the point of view of the particular country, CIEC can be viewed as an undertaking aimed at energy, at raw materials, at development, or at restructuring the international economic system. At least initially, the United States viewed the producer-consumer dialogue as an energy conference. The continued priority the United States places on energy is demonstrated by its demand to cochair the Energy Commission. The primary U.S. goal on energy has been to seek a reduction in the price of petroleum. However, (1) the United States and the other industrial nations have learned to live with \$12/barrel oil, and (2) there is general agreement that if there is to be a reduction in the price of oil, it will come from the play of economic and market forces, not from political concessions by the OPEC nations. For their part, the OPEC nations are seeking protection from inflation for their petroleum- and investment-generated income. To date, this has been done within the confines of OPEC. No one has devised a process for indexing petroleum within a broader arrangement and it is unlikely the industrial oil consumers would consent if such a scheme were put forward. Therefore, it would seem unlikely that any concrete proposals or actions on energy will result from CIEC.

If the United States sees CIEC as mainly an energy conference, then a failure to attain any of its energy goals would make it unlikely that the United States would grant concessions in any of the other areas. However, there are indications that the United States now views CIEC in its broader context. This is crucial for the developing nations, as they see the United States as the kingpin to any significant action—as the only nation with a veto.

Some interpret the U.S. interest in participating in CIEC as aimed at separating the OPEC nations from the other developing nations. If this is the case, it will be accomplished, not by attacking OPEC directly, but through being forthcoming on the problems faced by the developing nations and engaging in a full and open dialogue of where the interests of various nations really lie.

The main benefit of CIEC would seem to be derived from the establishment of a real dialogue on the most controversial issues. To the extent the hard issues are confronted in the CIEC commissions, they can be kept out of the consideration of less intractable issues and thereby prevented from hindering progress elsewhere. The tone set at CIEC will affect the tone in other forums. The second major benefit from CIEC will be educative—to shed light on the problems facing countries and to move the discussion beyond the rhetorical level to the consideration of specific problems and solutions.

COMMISSIONS

As for the purposes to be served by the four commissions, the Energy Commission, like the CIEC in general, can hope mainly to establish a dialogue on energy and bring a better understanding of one another's problems. It can serve to provide a clear elucidation of the setbacks which high oil prices have brought to economic conditions within industrial nations and to the prospects for development of Third and Fourth World nations—and thereby to international economic stability and to the economic interests of all nations—and to the concern of petroleum-exporting nations for protecting the earning power of their one source of export revenues.

The Raw Materials Commission can serve a similar goal: in particular, it can help enlighten both sides to the problems involving particularly commodities and possibly lead to the signing of commodity agreements covering individual commodities outside the CIEC structure.

It is uncertain the direction in which the Development Commission will go. It was created at the urging of the developing nations. It would be the commission that would discuss food issues and broad developmental strategy, and could delve into issues before the other commissions, even into energy resource and raw materials development in the developing countries.

The industrial nations would like to focus the Finance Commission on the financial aspects of issues before the other three commissions, while the developing nations hope to direct it toward a consideration of the international monetary and financial system. It is likely that the dialogue will include the broader picture, and the Commission could be particularly useful in considering and developing ways to bring the OPEC nations with a major stake in the international financial system into the formal and informal consultative mechanisms of international decision-making. However, the industrial nations are unlikely to make significant concessions in this area, such as granting the developing nations as a whole a larger voice in international monetary decision-making. (The OPEC vote is to be raised from 5 percent to 10 percent in the IMF, but this is being done in return for an increase in OPEC's financial participation in the IMF and is not seen by some developing nations as an increase in the voice of the developing nations as a whole.)

DECISIONS OF CIEC³

The ministerial conference confirmed the cochairmen of CIEC—Allan J. MacEachen (Secretary of State for External Affairs of

³ See appendix II, p. 10.

Canada) and Manuel Perez-Guerrero (Minister for International Economic Affairs of Venezuela).

Each Commission is composed of 15 nations; 5 industrial and 10 developing.

Energy Commission.—United States and Saudi Arabia (cochairmen), and Algeria, Brazil, Canada, Egypt, EEC, India, Iran, Iraq, Jamaica, Japan, Switzerland, Venezuela, and Zaire.

Raw Materials Commission.—Japan and Peru (cochairmen), and Argentina, Australia, Cameroon, EEC, Indonesia, Mexico, Nigeria, Spain, United States, Venezuela, Yugoslavia, Zaire, and Zambia.

Development Commission.—EEC and Algeria (cochairmen), and Argentina, Cameroon, Canada, India, Jamaica, Japan, Nigeria, Pakistan, Peru, Sweden, United States, Yugoslavia and Zaire.

Finance Commission.—EEC and Iran (cochairmen) and Brazil, Egypt, India, Indonesia, Iraq, Japan, Mexico, Pakistan, Saudia Arabia, Sweden, Switzerland, United States, and Zambia.

International organizations concerned with the matters being discussed can be invited to participate in the discussions of a commission but will not have a vote. Decisions will be made by consensus—determined when there is no objection. It is thought that each commission will meet for a period of 3 to 5 days every 4 to 6 weeks.

The cochairmen will meet on January 26, 1976, to consider the agenda of the various commissions. The commissions will commence meeting on February 11, 1976. A second ministerial meeting will take place in about 12 months.

APPENDIX I

MEMORANDUMS FROM THE PREPARATORY MEETING FOR THE CONFERENCE ON INTERNATIONAL COOPERATION, OCTOBER 13, 1975

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

To submit to the conference proposals on the setting up of committees and their composition (members and observers).

2.4. The preliminary meeting should be prepared in such a way that it reaches a consensus within no more than two to three days.

3.1. The preparatory meeting will be followed up, within a maximum of two months, by the conference itself. The conference will comprise 27 members, eight from the industrialized countries and 19 from the developing countries. Each of these two groups will select its representatives to the conference within one month after preparatory meeting.

3.2. The conference will open at the ministerial level. In order to ensure the actual participation of all the ministers, it would be preferable that its duration does not exceed three days.

3.3. The essential task of the conference will be to decide on the proposals to be submitted for its approval by the preparatory meeting.

3.4. This should induce it to set up four committees, corresponding to the themes of the dialogue, to determine their composition, to set general guidelines for them within the framework of paragraphs 4.3. to 4.6. inclusive and to agree on what follow-up their work should have.

4.1. These committees will not have more than 15 members. In determining its representation in each committee, each of the two groups at the conference will 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. The chairmanship of each of the committees will be assumed by two co-chairmen designated by each of the two groups respectively.

4.2. The committees will be composed of high-level experts representing their government.

4.3. The committee on energy, within the framework of an overall study of prospects for energy production and consumption in the world, including hydrocarbons, will be entrusted with facilitating through suitable ways and means the arrangements between oil producers and consumers which may seem advisable.

4.4. The committee on raw materials, through suitable ways and means and taking the existing situation into account, will be entrusted with facilitating the arrangements which may seem advisable in the area of raw materials—including food products—which are of particular interest to the developing countries.

4.5. The committee on development, through suitable ways and means and taking the existing situation into account, will be entrusted with facilitating the arrangements which may seem advisable in the area of cooperation for development.

4.6. The committee on financial affairs, while respecting the jurisdiction of international institutions (IMF, world bank), will study all financial problems, including their monetary aspects, related to the work of the three preceding committees. It will be composed of an appropriate number of members from each of these three committees.

4.7. The committees on raw materials and development will, in particular, take into consideration the work carried out by other appropriate international bodies and will establish the necessary contacts with these groups.

4.8 Joint meetings of the co-chairmen of these committees may be planned if the need arises.

4.9. Observers from organizations which are directly concerned with the problems being discussed will be able to attend the committees and will have the right to speak.

5.1. The conference will meet again at the ministerial level in about 12 months.

5.2. One or several meetings of the conference at the level of government officials may possibly be held at least six months after the first meeting of the conference at the ministerial level.

LISTS OF SUBJECTS TO BE DISCUSSED BY THE COMMISSIONS, AS PROPOSED BY THE UNITED STATES OF AMERICA

COMMISSION ON ENERGY

- (1) *Oil prices*, their relationship to long term demand and supply for energy and to world economic progress;
- (2) Security of supply and markets for oil and oil products;
- (3) Cooperation among developed and developing countries to promote increased energy supplies.

COMMISSION ON RAW MATERIALS

- (1) Access to supply and markets for raw materials;
- (2) Problems of stability of export earnings;
- (3) Growth and diversification of export trade;
- (4) Enhancement of long run supply of raw materials through application of capital, management, and technology with mutual respect for contractual obligations;
- (5) Enhancement of functioning and stability of markets for commodities, including food, on a case-by-case basis.

COMMISSION ON DEVELOPMENT

- (1) Problems caused by payments deficits of developing countries particularly the most seriously affected;
- (2) Financial assistance, arrangements conducive to the transfer of technology, international investment and capital market access to accelerate growth in developing countries;
- (3) Promotion of agricultural and food production through, inter alia, enlargement of world food production capacity, particularly in developing countries, and food aid;
- (4) Promotion of development through enhanced trade opportunities among developed and developing countries;
- (5) Policies for promoting rapid industrial growth.

COMMISSION ON FINANCIAL AFFAIRS

Financial issues related to work of other commissions, for example:

On Energy:

Financial consequences of energy prices;

Conditions for international investment, including placement of surplus oil funds.

On Raw Materials :

Financial implications of commodity arrangements ;
Export earnings stabilization.

On Development :

Financing of investment projects in the developing countries ;
Financing of food imports of developing countries and increased agricultural production ;
Approaches to payments deficits of developing countries.

DOCUMENT SUBMITTED BY ALGERIA, SAUDI ARABIA, BRAZIL, INDIA, IRAN, VENEZUELA
AND ZAIRE, IN CONNECTION WITH THE SUBJECTS TO BE DISCUSSED BY THE
COMMISSIONS

The delegations of the countries mentioned above recommend that the general guidelines be inspired by the provisions of the Resolution 3362 of the Seventh Special Session of the United Nations General Assembly on "Development and International Economic Cooperation", and also take into account, inter alia, the following :

1. The Commission on Energy should consider : development and demand of energy, hydro-carbons and other resources, including the protection of the purchasing power of energy export earnings.

2. The Commission on Raw Materials should consider : development and supply conditions of raw materials in respect of development needs of developing countries, including the revalorization and protection of the purchasing power of developing countries export earnings.

3. The Commission on Development should consider : trade (access to markets for products of developing countries, etc. ; accelerated industrialization ; transfer of technology ; development of agriculture ; development of infrastructure ; problems of supply of food and fertilizers (special attention to devising measures for ensuring adequate supplies of food and fertilizers at reasonable prices to developing countries) ; special and urgent attention to the question of the grave difficulties of MSAC's created by the current economic situation ; and the need to increase present assistance to meet their pressing requirements.

4. The Commission on Financial Affairs should consider : relevant aspects of international monetary problems ; financial co-operation and investment ; and financial flows and investments in industrialized countries, including the problems of long-term investments, the protection of the real value of financial assets and problems of the international financial markets.

15 OCTOBER 1975.

CORRIGENDUM

Paragraph 1 of Doc RP II/10 should read as follows :

"1. The Commission on Energy should consider : development and conditions of supply and demand of energy, hydro-carbons and other resources, including the protection of the purchasing power of energy export earnings."

FINAL DECLARATION OF THE PREPARATORY MEETING FOR THE CONFERENCE ON
INTERNATIONAL ECONOMIC CO-OPERATION, PARIS, OCTOBER 16, 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 Guirigaud, 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 alternatively 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.

APPENDIX II

FINAL COMMUNIQUE OF THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION, PARIS, DECEMBER 19, 1975

1. The Conference on International Economic Cooperation 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's 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 Honorable Allan J. MacEachen, Secretary of State for External Affairs of Canada, and Dr. Manuel Perez-Guerrero, Minister of State for International Economic Affairs of Venezuela, Co-chairmen of the Conference on International Economic Cooperation, 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 Cooperation provides a unique opportunity to address these problems and to further international economic cooperation 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 commission shall start their work on February 11, 1976. Preparation for 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 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, Zaire.

Raw Materials: Argentina, Australia, Cameroon, EEC, Indonesia, Japan, Mexico, Nigeria, Peru, Spain, United States, Venezuela, Yugoslavia, Zaire, Zambia.

Development: Algeria, Argentina, Cameroon, Canada, EEC, India, Jamaica, Japan, Nigeria, Pakistan, Peru, Sweden, United States, Yugoslavia, Zaire.

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 intergovernmental 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 intergovernmental 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. End text of communique.

ADMINISTRATIVE ARRANGEMENTS

The Co-Chairmen proposed that the conference :

(1) Agree to the appointment of Mr. Bernard Guitton of France as executive secretary. The executive secretary will be charged with the administration of the Conference and its commissions and to that effect will act on behalf of the members of the Conference.

(2) Agree that the executive secretary will report to and consult with the co-chairman of the Conference with respect to the administration of the Conference and its commissions, the recruitment of staff, and expenditures he incurs.

(3) Agree that there should be two deputy executive secretaries, one from a developed and the other from a developing member of the Conference.

(4) Authorize the executive secretary to make arrangements for recruiting, within the limits of the approved budget, a small number of additional professional staff and appropriate support staff.

(5) Authorize the executive secretary to take whatever action may be required for the day-to-day administration of the Conference and its commissions.

(6) Agree that the cost of the secretariat and all other costs involved in the administration of the Conference and its commissions be borne by the members of the Conference; half of such costs to be met by developed countries and half by developing countries.

(7) Invite the Co-Chairmen of the Conference to convene a finance and administration committee of members of the Conference at an early date. This committee would receive budgetary proposals from the executive secretary and should approve a budget covering the costs referred to in paragraph 6.

(8) In order to permit the early establishment of the commissions, request the Government of France to provide, through reimbursable advances, the appropriate financial facilities necessary for the creation and functioning of the secretariat pending the effective financial participation of Conference members.

APPENDIX III

ADDRESS BY SECRETARY OF STATE HENRY A. KISSINGER AT THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION, PARIS, DECEMBER 16, 1975

"ENERGY, RAW MATERIALS AND DEVELOPMENT: THE SEARCH FOR COMMON GROUND"

The challenge of our time is to build a stable and just international structure. This task has two principal dimensions. There is the imperative of peace—the more traditional problems of building security, resolving conflicts, easing tensions. These issues dominate the agenda of relations between East and West. No less urgent is the imperative of justice—the compelling requirements of global economic progress and social advance. These are now the major issues in the relationship between North and South. They too carry the potential for either conflict or order. Neither the goal of peace nor that of social justice can be achieved in isolation. We must succeed in both quests or we will succeed in neither.

Social justice and economic progress are our concerns at this Conference. We meet here to launch the Dialogue that has been so often urged, and so long awaited. The convening of this meeting should itself be a reason for hope. For we believe it represents a commitment to the path of conciliation. It demonstrates a recognition that consumer and producer, industrial and agricultural, developed and developing, rich and poor, must together address the challenges of the global economy.

The United States will work with dedication and energy for a positive outcome. We will do so in our own self-interest and in the interest of a more just and prosperous community of nations. We will do our utmost to help mobilize the world's resources and the talents of men and women everywhere in the service of economic progress and common wellbeing.

In the past two years we have all learned that no nation or group of nations can solve its economic problems in isolation. In a world which is becoming increasingly interdependent, we have witnessed that inflation and recession affect us all. We have seen that no country can achieve redress by exporting its economic difficulties or by exacting an exorbitant economic price from others.

But our deepest challenge is political. Economic distress magnifies the problems of government in all our countries, clouding the prospects of social peace and democratic institutions. We have seen that national economic problems thus become international; they spawn clashes of interest and protectionist pressures that strain the fabric of collaboration even among traditional friends. We have all come to understand that if unresolved, the competing claims of developed and developing, consumer and producer, will thwart any effort to build a stable and progressive international structure.

Our future depends now not on blind economic forces but on choices that statesmen make. The world's nations can struggle in national or ideological contention—or they can acknowledge their interdependence and act out of a sense of community. The United States has chosen the path of cooperation.

The United States, as the world's strongest economy, has demonstrated its resilience; we are on the road to recovery. We might best survive any new round of economic warfare. But it is my country's conviction that tests of strength benefit no nation. The approach that we took at the Seventh Special Session of the United Nations General Assembly in September reflects our vision of a more positive future.

The Special Session reached consensus on an impressive range of economic problems. This commitment to cooperation can become a benchmark in human affairs—if its spirit is carried forward. We owe our people solutions, not slogans. So let us set to work. Let us implement the consensus of the Special Session and take up its unfinished tasks. Let us make this conference a decisive step toward their achievement.

THE ROAD TO THIS CONFERENCE

We are here because two years ago the international structure was gravely tested by a crisis in energy. No problem on the international agenda is more crucial to the world economy. As this conference demonstrates, it has led us to a much broader consideration of the range of related issues.

The unprecedented expansion of the global economy in the decades since World War II relied upon the plentiful supply of energy at reasonable prices. It produced economic growth, fostered industrialization and encouraged development in every quarter of the globe.

Thus, the energy crisis—caused by a combination of the 1973 embargo and the fivefold increase in the price of oil—has dealt a serious blow to global stability and prosperity.

Inflation, recession and payments balances significantly worsened in all the industrialized world and in those developing nations which had realized substantial progress toward industrialization. The poorest of the developing countries, struggling to make modest steps toward progress, were dealt the cruelest blow of all. Their hopes for growth were—and continue to be—thwarted. Their development planning has been disrupted. Even their agricultural production has been undermined by the increased cost of petrochemical fertilizers. For the vast majority of the developing world economic justice was poorly served.

In response to the energy crisis, the United States sought first to reach a consensus among the industrialized nations. We worked together to assure basic security against future arbitrary disruptions in oil supply and against potential oil-induced financial difficulties. We pledged ourselves to long-term cooperation in energy conservation and the development of alternative energy supplies. We agreed not to resort to protectionist measures, and we began unprecedented cooperation in our economic policies as dramatized by the recent Economic Summit at Rambouillet.

These actions were not taken in a spirit of confrontation. Most are prudent steps of self-protection, which have effect only if a confrontation is provoked by others. Others involve an urgent program for the development of alternative sources to the benefit of all.

But the collaboration of the industrial countries has always been conceived as only part of a larger program for economic progress. From the beginning, we have foreseen an effort to develop a constructive dialogue leading to close and mutually beneficial long-term economic ties with oil-producing nations—so that our investment and technical support would contribute to their development, and their prosperity would contribute to the worldwide expansion of trade and development. We recognize that the only durable basis for constructive relations is an economic system which fosters the prosperity of all. Each of us has a stake in the progress of others.

Last April, at the invitation of the President of France, we agreed to begin this discussion. The industrial nations wanted to focus on energy. The oil-producing and other developing nations wanted to give equal priority to a wide range of development issues, including prices and markets for other raw materials, and to international financial questions. The industrial nations regarded these issues as too varied and complex to be addressed effectively in a single forum. The April Preparatory Conference failed to reconcile these positions.

To demonstrate its desire for a constructive and cooperative solution the United States worked closely with other participants in developing a mutually satisfactory arrangement: energy, the concerns of the less developed countries about raw materials, development and related financial matters would be addressed as part of a discussion of global economic problems, while maintaining enough distinction between them for a useful dialogue.

The United States is committed to a serious and wide-ranging program of cooperation with the developing world. My country understands full well, and has shown in its many proposals, that this dialogue must encompass issues of concern to all sides—including the needs of the many nations not in attendance here. For us, this clearly requires a discussion of the effects of energy prices on the world economy. For cooperation depends on mutual respect, mutual understanding and mutual benefit.

To this end, at the Seventh Special Session of the United Nations General Assembly three months ago, the United States made a series of proposals in several areas:

To ensure the economic security of developing countries against shortfalls in export earnings, food shortages, and natural disasters;

To accelerate their economic growth by improving their access to capital markets, technology, and foreign investments ;

To better the conditions of trade and investment in key commodities on which many of their economies are dependent, and to set an example in the vital area of food ;

To improve the world trading system and make it better serve development goals and realize through the Multilateral Trade Negotiations a strengthening of developing country participation ; and

To address the especially urgent needs of the poorest countries devastated by current economic conditions.

The Seventh Special Session ended on a note of conciliation and cooperation. The spirit of the Session was carried forward to the October Preparatory Conference in Paris where the Declaration laid the basis for our meeting today.

This will be the attitude of the United States here. Progress has been made in many areas, and this Conference must move us forward.

THE WORK OF THE COMMISSIONS

The four Commissions that this Conference is establishing have much work before them :

The Commission on Energy should promote an effective world balance between energy demand and supply. It should work for practical cooperation among industrialized and developing countries to develop new energy supplies. And it should lay the foundations of a mutually beneficial long-term relationship between energy producers and consumers.

The Commission on Raw Materials should work to establish the conditions for stable, long-run supplies of raw materials vital to global progress at prices that are remunerative to producers and fair to consumers.

The Commission on Development should strive to accelerate economic development in all nations, especially the poorest. In particular, it should bring together industrial nations and oil-wealthy nations to provide financial support for the development initiatives of the United Nations Special Session.

The Commission on Finance should address financial issues as they relate to the work of the other three commissions. It should seek to strengthen the sense of shared financial responsibility for the health and growth of the international economy.

With a cooperative approach, the Commissions can give direction and impetus to related activity in other forums and organizations, under whose jurisdiction a number of these issues fall. They can serve as clearing houses for information, and motivate other organizations doing similar work. They can identify areas where necessary work is not being done, and devise new initiatives where needed.

The United States will support progress on a broad range of topics in the context of the Four Commissions. But we have a special interest in the following areas :

First, the price of oil and the security of oil supply as they affect the international economy ;

Second, the serious balance of payments problems of developing countries ;

Third, the conditions of international investment ;

Fourth, the issues of key commodities, especially food ;

Fifth, the problems of trade, and

Sixth, the urgent needs of the poorest countries.

Let me discuss each of these in turn.

ENERGY

First, Energy.

The application of science and technology to tap the vast energy potential imprisoned beneath the earth, radiated by the sun, generated by the movement of wind and water across the earth's surface or locked in the core of matter, is fundamental to the hopes of millions to pull themselves above a bare struggle for existence. For the expansion of the global economy for both developed and developing countries depends heavily on our harnessing and efficiently employing the world's energy resources.

Some nations are particularly well endowed with these resources, some have the scientific and technological expertise to explore and utilize that potential. The international flow of energy, investment capital required to produce it, and goods produced from fuels have become in effect a global energy system, which

sustains all our economies. Only through international cooperation can all nations benefit from these processes and can the world economy harness its energy resources most effectively.

The United States is committed to a cooperative approach. We have much to offer. We have produced more energy than any other nation in the history of mankind; our energy science and technology are the most advanced, and we have tremendous potential for future energy development in our country and abroad. The United States also has much to gain from cooperation. Our energy needs are the world's largest, our ability to raise living standards for all our citizens depends on greater energy production and the more efficient use of energy resources.

This Dialogue and this Conference have these tasks:

First, it is time to reach a common evaluation of the relationship between changes in energy prices and the stability and performance of the world economy.

The abrupt and arbitrary increase in the price of oil has been a major factor in rates of inflation and unemployment unprecedented since the 1930's. It has led to serious balance of payments deficits, indirectly through global recession and directly through higher priced imports.

By extraordinary effort, the industrial countries, on the whole, have put their payments back in balance over the last year, although at a high cost to the well-being of their peoples. Thus the immediate burden of the massive petrodollar deficit is now borne largely by the developing countries which have little or no oil resources.

Developing countries by definition tend to have less of a margin to reduce consumption, to restructure energy use, or to shift to alternative sources, when the oil price rises. They are the most vulnerable—and the most wounded.

A lower oil price would make possible more rapid economic recovery around the globe. It would assist the developing countries by easing their enormous balance of payments burden and their debt burden, and increasing foreign demand for their exports. A lower price, along with stability of supply, would also benefit producer nations over the long term by easing the urgency for consuming countries to develop alternative supply sources.

Conversely, any further increase in prices would seriously hamper economic recovery, retard international trade, compound the internal difficulties of many countries, weaken the ability of the advanced nations to assist the developing, and strain the fabric of international cooperation.

It is time for a serious discussion of this issue. We are prepared to make a sustained effort to achieve understanding.

Second, we must collaborate to find new sources of energy and intensify our conservation efforts. All consuming countries, developed and developing, must use energy more efficiently and develop more abundant supplies. Producers need to prepare their economies for the day when they will have exhausted their easily accessible oil reserves.

Individually, the industrialized countries are accelerating the development of their own energy sources. The United States is developing its conventional fuels and also new sources, including nuclear power, to replace fossil fuels. We have committed massive resources to research and devoted our best talents to this effort; we expect it to result in a substantial increase in U.S. energy production. In Europe, major efforts have been launched along the same lines, with the North Sea as the most dramatic example of the potential. The development of alternative energy sources is vital.

In the near future, the industrial countries will take the first steps towards welding these national programs into a coherent cooperative program. These programs are designed to promote conservation and to accelerate the development of alternative energy supplies through large-scale joint projects and cooperation in research and development. We will demonstrate our commitment to the maximum development of new energy by agreeing not to permit imported oil to be sold in our internal markets below a common minimum safeguard price.

This effort will bring a better balance to the world energy market. But as it gathers support, it will bring important benefits to developing as well as industrial countries. The programs that the industrial countries are undertaking, and those that many developing countries have within their potential to undertake, can lead to additional and more secure supplies of energy, which can be a spur to their prosperity and development. All nations will have access to a larger

pool of energy resources, and there will be less competition for oil. The efforts of developing countries to increase their own production of energy, if supported, can be the single most important step they take to secure their development for future generations.

At the Seventh Special Session of the General Assembly, the United States proposed an International Energy Institute. Through such an organization, the developed countries and O.P.E.C. countries can assist poorer developing nations to utilize energy more efficiently, increase their own production, and improve allocation and distribution of existing resources. It could identify current or new energy technologies most relevant to their special needs. The Institute can help oil-producing countries to improve the use of their own energy.

Using the most advanced techniques of analysis, the Institute could help assess all countries' energy resources and requirements. Staffed by experts drawn from government, industry, and academic life in both industrialized and developing countries, it could provide training for local and regional technicians or specialists in energy problems. It could become a central point of contact where policymakers and experts could exchange ideas on plans and programs.

We see the Institute as a first bridge between the massive effort the industrialized countries have now launched to develop alternative sources of energy, and the effort which the developing countries must now undertake.

In addition, the United States has suggested a number of other means by which the talents and experience of the developed nations, collectively and individually, can assist developing states to find and exploit new energy sources and conserve their national patrimony. We will advance these proposals in the Energy Commission. We anticipate a full exchange of views on their scope and substance.

Oil producers, and nations with the technology to help develop oil resources, share an **interest in cooperation on conservation and exploration**. But this cooperation will be easier to forge in a stable energy market with a more appropriate structure of energy prices.

Third, the United States seeks a greater participation and contribution of the oil-producing countries in the international economy. With the extraordinary transfer of wealth that has taken place, it is the common interest that the oil-producing nations be constructive members, not challengers, of the world economic system; that investment and the latest technology be made available to them on a reimbursable basis for their development programs; and that the flow of goods and services be enhanced between producing and consuming countries.

We believe that these three issues—a better understanding of the effects of oil price increases on the world economy; cooperation on conservation and new production; and the orderly integration of OPEC economies into the global economy—are priority tasks for the energy forum.

BALANCE OF PAYMENTS

The balance of payments problems of developing countries are an immediate and urgent task for this Conference to address, closely related to the energy issue. Current projections indicate that the developing world in 1976 will be collectively in deficit by about \$35 billion. Bilateral and multilateral aid, along with direct investment, will finance roughly \$25 billion of this. The question is whether borrowing from international capital markets can again this year make up the remainder. If not, some countries will be forced to reduce imports, cut back development programs, and further mortgage their future. The deficits of the developing countries thus could endanger not only their own well-being but also the stability of the international trade and financial system.

A multitude of ideas and proposals are already before us. Let us address steps that can be taken now.

First, the members of the IMF should promptly agree on the details of the Trust Fund which the United States has proposed to furnish concessional financing for the poorest countries. It would provide these countries additional resources of \$1-2 billion a year, using the profits from IMF gold sales as well as national contributions. We are well on the way to resolving outstanding issues on IMF gold; let us take final action on the Trust Fund in January.

Second, the members of the IMF should complete negotiations next month on the new Development Security Facility. The United States made this major proposal to provide more substantial financing to countries facing temporary

shortfalls in export earnings due to the world business cycle or commodity fluctuations. We proposed this on September 1st; its realization in January would be an impressive demonstration of international resolve and responsiveness.

Third, the IMF should approve a one-third increase in member quotas, thus expanding its potential financing for all members.

Final approval can and must be taken on each of these proposals at the meeting of the IMF Interim Committee in Jamaica in early January. Together with substantial unused regular drawings still available to developing countries, these measures will add significantly to the capacity of developing countries to sustain their needed imports and their development programs.

But however substantial these facilities, they may not be enough. Once the new Trust Fund and these other proposals have been implemented in January, we must determine how best to respond to the remaining balance of payments problems of the developing countries. The United States is committed to finding a constructive solution.

Our specific response will depend in part on whether there is a general across-the-board financing problem or one concentrating on a few countries.

One promising approach would be to expand the credit that developing countries can draw from the IMF by liberalizing the rules governing access to regular IMF resources. The IMF Board could, for example, increase the size of each credit drawing, base them on expanded new quotas, or add a new drawing beyond those now available. Decisions on such proposals will need to be based on close analysis of their effect on the financial integrity of the IMF. Secretary Simon will present our analysis and proposals for increased use of the IMF at the Interim Committee meeting.

We cannot emphasize enough the need for immediate action in this area to supplement the long-term proposals which have already been made. The responsibility does not lie with the industrialized countries alone. We cannot be expected to bear the major burdens for remedying balance of payments problems in which the actions of others play such a significant role. There is a collective obligation to act. There must be a joint program involving the industrialized as well as the oil-producing countries.

INVESTMENT AND TECHNOLOGY FOR DEVELOPMENT

The balance of payments deficits of the developing countries will perhaps moderate as the global economy recovers from recession. But sustained economic growth requires the continuous application of capital, technology, and management skills to develop needs.

Private investment has always been a major factor in the growth of the global economy. My own country has benefited from foreign investment throughout its history. Today, more than ever, the developing countries need this capital in addition to the limited supply of official development assistance.

To make this possible, governments of developing countries need better access to world capital markets. The United States has urged that technical assistance and expertise be provided to developing countries that are ready to enter long-term private capital markets for the first time. We have proposed a major expansion of the resources of the World Bank's International Finance Corporation to strengthen the private sector in developing countries and to enhance their international competitiveness for private capital. We have recommended creation of an International Investment Trust to mobilize private portfolio capital for investment in local enterprises. And we are contributing to the work of the IMF/World Bank Development Committee to assist in removing impediments to developing countries' access to capital markets.

But we also believe that one of the most important vehicles for transferring capital, technology and management skills to where they are most needed is private enterprise. There simply is not enough governmental capital available. Because of ideological considerations, these private enterprises operate in an investment climate increasingly clouded by unpredictable national legislation and uncertain rules of the game.

In this environment everybody suffers. Host countries are deprived of the capital resources, technology and management which these enterprises uniquely provide, as well, as a source of tax revenue. Home countries are deprived of the overseas markets, investment income, and the new ideas and techniques which come with foreign contact. And the enterprises themselves are squeezed at both

ends, making overseas investment less worthwhile for them and reducing their contribution to home and host country alike and to the global product.

The United States has taken an active part in international efforts to facilitate international investment on a basis that serves the interests of all parties. We are willing to explore voluntary guidelines for the behavior of both transnational enterprises and government. At the United Nations I stated four basic principles that should be included:

Transnational enterprises must obey local law and refrain from unlawful intervention in the domestic affairs of host countries.

Host governments must treat these enterprises equitably, without discrimination among them, and in accordance with international law.

Both governments and businesses must respect the contractual obligations they freely undertake.

Principles for transnational enterprises should apply to domestic enterprises where relevant.

But efforts should not be limited to general guidelines for investment. Other remedial measures are possible.

Taxation is one such area. Because they operate in multiple jurisdictions, transnational enterprises may sometimes be subject to either double taxation or inappropriate tax incentives. The result in either case is that investment patterns are distorted. We must find ways to enable both host and home countries to coordinate their tax policies and make them more equitable to each other and to productive enterprises.

A second area for improvement is intergovernmental consultation on investment disputes. This is especially important to developing countries whose progress is dependent on a climate conducive to an adequate flow of investment. It is time to develop generally accepted international rules for the settlement of investment disputes and the arbitration of differences, and other guidelines for dealing with problems arising between governments and enterprises. The United States recommends that the World Bank's International Centre for the Settlement of Investment Disputes be given a greater role in solving important investment controversies.

International assistance for development must also focus on the advancement, selection, and application of modern technology.

Many countries in the developing world are already on the path of industrialization. They have proved their capacity to take advantage of the vast storehouse of modern technology. The United States encourages this endeavor. We have long been in the forefront of the effort to train more managers, technicians, and researchers in the developing countries to carry this forward.

Most technology transfer takes place through international investment and the operations of transnational enterprises on a licensing, equity or contract basis. The U.S. understands the concern of many developing countries not to become the repository of obsolescent technology. Technology must be suited to local needs, the terms and conditions must be mutually acceptable, and it must be effectively managed and utilized. Developing countries must be enabled to make their own informed choices of foreign or domestic technology, to adapt it to their own needs and conditions, and to manage its application skillfully. This technology transfer requires the development of human capabilities—the management and skills that constitute the infrastructure of technological development.

People—their training and their placement in a country's managements systems—are the key to making technology a producing resource. International cooperation can make no greater contribution to development than to foster the training of specialists in each country competent to select, bargain for and manage technologies. We see this requirement as an important topic for consideration by the Commission on Development, and we will make concrete proposals to this end.

COMMODITIES

A healthy global economy requires that both producers and consumers find protection against the cycle of raw materials surplus and shortage which chokes growth and disrupts planning. We must ensure more reliable supplies of vital commodities on terms fair to all.

The problem is most urgent in food, mankind's most critical need. The cycles of feast and famine, widely fluctuating prices of basic foodstuffs, and breakdowns in the system of storage and transportation continue to afflict mankind. These

show few signs of abating. And in the long-run, growth in demand for food threatens to outrun the expansion of supply.

As the world's largest producer and exporter of food, the United States recognizes its special responsibility:

At home, we have been committed to policies of maximum food production and have removed all production restraints.

Internationally, we have proposed a system of grain reserves to help moderate fluctuations in world prices and supplies.

We believe that our grain reserves proposal can be a model for cooperation on other commodity problems. It takes into account the interests of producers and consumers. It makes special provision for the concerns of developing countries. Its reliance on buffer stocks minimizes the distortion of trade, and improves the efficiency of the market. We now await the cooperation and commitment of others to help implement this proposal.

Most importantly, we are increasing our assistance to developing countries—not merely for short-term relief, but to help them boost their own agricultural production. Our bilateral aid programs in this area have been expanded greatly. We also strongly support the proposal first made by oil exporting countries for an International Fund for Agricultural Development. We have announced our willingness to make a contribution of \$200 million, or one-fifth of the worldwide goal of \$1 billion.

Other commodities are of critical importance to many countries, either as producers or consumers. Many developing countries depend crucially on earnings from commodity exports to lift their people above subsistence levels, to support basic social programs, and to finance the beginnings of industrialization. The solution to commodity issues will affect not only the developing countries, but also the industrial countries—who are in fact the largest producers, consumers and exporters of commodities. The economies of all countries are affected by the instabilities of the market—the vulnerability of agricultural commodities to the vagaries of weather and shifts in world demand; the sensitivity of agricultural and mineral markets to fluctuations in the business cycle in industrial countries; and the higher prices of critical energy imports.

At the Seventh Special Session a consensus was achieved that commodity issues should be approached cooperatively.

The United States position is that a realistic and constructive approach will require that we:

- Establish producer-consumer forums for discussions of key commodities;
- Reduce obstacles to producers' access to markets and to consumers' access to supplies;

- Rely more on buffer stocks, where feasible and necessary, in preference to restrictions on trade and production;

- Improve the productivity and marketability of agricultural raw materials;
- and

- Expand worldwide production capacity in other key commodities.

We now stand ready to cooperate in establishing producer-consumer forums to discuss copper, bauxite, and other commodities. We plan to address the question of supply and market access in the multilateral trade negotiations in the next several months. We have proposed that the IFC and the IBRD make available increased financing for mineral development and look forward to progress in the near future. We plan to support the UN revolving fund for national resources exploration. Finally, we have proposed establishment of an organization to finance and coordinate research on non-food tropical products to improve their productivity and competitiveness.

We look forward to additional discussion of these measures in the Raw Materials Commission.

TRADE

An expanding and more open international trading system is a principal factor in the growth and development of both developed and developing nations. We are committed to the strengthening of this system so it can better serve the needs of the international community and include importantly the developing nations.

Trade enables nations to earn their own way. It is the most consistent with national dignity and with the efficiency of the economic system.

Over the last five years, in a major step of international cooperation, all the major industrial nations have committed themselves to establish a generalized system of tariff preferences, giving developing countries better access to the markets of all industrial nations.

The United States will implement its generalized system of preferences in two weeks time. Under this system we will eliminate duties on 2,724 tariff items, representing some 19 percent of dutiable non-oil imports from eligible countries in 1974. This will open up significant potential new markets for the products of developing countries in the United States.

Tropical products are a promising area of export expansion for many developing countries. The international trading system should encourage this expansion. In the Multilateral Trade Negotiations in Geneva, work is beginning on a package of tariff concessions on tropical products for early implementation. We attach much importance to this effort.

Tariff escalation—the process by which tariffs are progressively increased on goods as they move higher on the ladder of processing—is an obstacle to the exports and industrialization of many developing countries. At the UN Special Session, we proposed that reduction, or in some cases elimination, of tariff escalation be an important goal for the multilateral trade negotiations. The effort to identify and negotiate specific changes will begin next year.

This effort, however, is related in our view to the issue of access to supply of raw materials. Consumers cannot be expected to improve access to their markets for finished products if they face restrictions on supplies of related raw materials. Thus, the Geneva negotiations must also improve access to supply as well as access to markets.

Reducing or eliminating non-tariff barriers to trade is another major task facing the international trading community. We will make a particular effort to negotiate special and differential treatment for developing countries in this area.

An improved and strengthened world trading system would not be complete, however, if it did not ensure greater sharing by developing countries of both benefits and responsibilities. Developing countries should gradually take on the normal obligations of reciprocity and trade rules as they progress.

The multilateral trade negotiations are the most effective forum for pursuing all these objectives.

The United States put forward proposals in many of these areas at the recent meeting of the Trade Negotiations Committee in Geneva, as goals for 1976. The developing countries will also benefit from progress in all other areas of the negotiations, which we now hope will be completed in 1977.

The United States is committed to a role of leadership in the Multilateral Trade Negotiations. We will seek rapid progress for the benefit of both developing and developed countries. I believe that this conference and its relevant commissions should endorse the work of the MTN. It should provide continued support for the negotiations by monitoring and contributing ideas to the work in Geneva.

GLOBAL POVERTY

Our deliberations here must address the plight of the one-quarter of mankind whose lives are overwhelmed by poverty and hunger and numbed by insecurity and despair. This group has suffered immeasurably from high prices of food and fuel. Their export revenues have been seriously undermined by global recession.

In these regions less than one person in five is literate; one baby in ten dies in childhood, and in some areas closer to one out of two; life expectancy is less than fifty years; and birth rates continue to be intolerably high. Public expenditures for education and health care are low—and per capital income has been declining for the last four years.

And so today, alongside the Third World with its increasing power and assertiveness, there has come into being a Fourth World, where human beings still struggle for bare existence.

In one international conference after another, we have all pointed to the Fourth World with sincere intentions of giving immediate help, providing long-term assistance, and devising special arrangements. We have agreed that this is a major test of a just international structure. It is time for all of us here to act on our words.

Three areas need immediate action.

First, many of the poorest cannot finance balance of payments deficits because they cannot gain access to capital markets or because of high interest rates on what little finance they can obtain. The Trust Fund which the United

States proposed in the IMF to provide up to \$2 billion for emergency relief is of special benefit to them. Let us reach a consensus to create this trust fund at next month's IMF meeting in Jamaica.

The second area for immediate action is food aid. No obligation is more basic than our ensuring that the poorest are fed. This fiscal year the United States expects to provide more than six million tons of food aid—or more than 60 per cent of the ten million-ton global target set by the World Food Conference and a 20 per cent increase over last year's contribution. Others must donate their fair share.

Third, the poorest countries need preferential and expanded access to official concessionary financial aid. The United States will do its part. More than 70 per cent of our bilateral development assistance now goes to low-income countries. The concessional financing of the international financial institutions should also be expanded. At the Seventh Special Session, my government pledged to support the fifth IDA replenishment and the regional development banks. We are making every effort to secure Congressional appropriations for funds already committed. We hope that the traditional and new donors will help the poorest through financial contributions to both bilateral and multilateral programs.

Let us urgently rededicate ourselves to action on behalf of the poorest among us. Such action is the responsibility of the entire world community—not just the industrial countries, but also the more affluent in the developing world. While no one commission will be dealing with the totality of problems of the Fourth World each Commission has a responsibility to be conscious of the need for special consideration for the poorest.

CONCLUSION

Ladies and Gentlemen, the nations and economies of the world are many; our differences are great. But our reasons for pulling together are far greater. Therefore, our dialogue here must be candid but with a positive spirit and cooperative attitude. The prosperity, the progress and indeed the security of the world may depend upon whether we succeed in finding realistic answers to the kinds of problems before us at this conference. For lasting peace around the globe will depend not only on containing conflict, but on mounting progress. It requires not merely the preservation of stability, but the fulfillment of human aspirations.

The issues we face are often technical, but their implications could not be more profound. They go to the heart of our future. Only rarely in history does mankind consciously swing out from familiar, well-marked paths to move in new directions. Only rarely does humanity comprehend as clearly as we do today that change is imminent and that the direction to be taken is subject to human decision. The nations of the world face such an opportunity now.

We have the possibility of forging international relationships that will govern world affairs for the next several decades. We can bring together developed and developing, producer and consumer, in common endeavors—or, we can go our separate ways, with every one of us paying the price for a lack of vision in lower standards of living and increased international tensions. Mutual interest should bring us together; only blindness can keep us apart.

The American people have always believed in a world of conciliation rather than a world ruled by intimidation, pressure or force. My country, in spite of its own strengths and advantages, has chosen the path of cooperation. We will remain committed to that path. But we cannot travel it alone; others will have to join us. All of us here must base our policies on the reality that we have a practical and moral stake in each other's well-being.

I am confident of our cooperation and of our success. The result will be a fair and prosperous world economy of benefit to all nations, and with it new hope, opportunity and justice for all peoples.

Thank you.



The first of these is the fact that the
the second is the fact that the

the third is the fact that the
the fourth is the fact that the

the fifth is the fact that the
the sixth is the fact that the
the seventh is the fact that the
the eighth is the fact that the

the ninth is the fact that the
the tenth is the fact that the
the eleventh is the fact that the
the twelfth is the fact that the

CONTENTS

the thirteenth is the fact that the
the fourteenth is the fact that the
the fifteenth is the fact that the
the sixteenth is the fact that the

the seventeenth is the fact that the
the eighteenth is the fact that the
the nineteenth is the fact that the
the twentieth is the fact that the

the twenty-first is the fact that the
the twenty-second is the fact that the
the twenty-third is the fact that the
the twenty-fourth is the fact that the

the twenty-fifth is the fact that the
the twenty-sixth is the fact that the
the twenty-seventh is the fact that the
the twenty-eighth is the fact that the

the twenty-ninth is the fact that the
the thirtieth is the fact that the
the thirty-first is the fact that the
the thirty-second is the fact that the

the thirty-third is the fact that the
the thirty-fourth is the fact that the
the thirty-fifth is the fact that the
the thirty-sixth is the fact that the

the thirty-seventh is the fact that the
the thirty-eighth is the fact that the
the thirty-ninth is the fact that the
the fortieth is the fact that the

the forty-first is the fact that the
the forty-second is the fact that the
the forty-third is the fact that the
the forty-fourth is the fact that the

the forty-fifth is the fact that the
the forty-sixth is the fact that the
the forty-seventh is the fact that the
the forty-eighth is the fact that the

the forty-ninth is the fact that the
the fiftieth is the fact that the
the fifty-first is the fact that the
the fifty-second is the fact that the

the fifty-third is the fact that the
the fifty-fourth is the fact that the
the fifty-fifth is the fact that the
the fifty-sixth is the fact that the



