

# Excerpts From Kissinger's Address,

TUESDAY, SEPTEMBER 2, 1975

## Read to the U.N. Assembly

by Moynihan

UNITED NATIONS, N. Y., Sept. 1—Following, as prepared for delivery, is the text of Secretary of State Kissinger's address to the special session of the General Assembly today. It was read by Daniel P. Moynihan, the United States representative.

### Insuring Economic Security

The nations assembled here have a choice: we can offer our people slogans or we can offer them solutions. We can deal in rhetoric or we can deal in reality. My Government has made its choice.

The United States firmly believes that the economic challenges of our time unite us and not divide us.

So let us get down to business. Let us put aside the sterile debate over whether a new economic order is required or whether the old economic order is adequate. Let us look forward and shape the world before us. Change is inherent in what we do and what we seek. But one fact does not change: that without a consensus on the realities and principles of the development effort, we will achieve nothing.

There must be consensus, first and foremost, on the principle that our common development goals can be achieved only by cooperation, not by the politics of confrontation.

There must be consensus that acknowledges our respective concerns and our mutual responsibilities. All of us have rights and all of us have duties.

The consensus must embrace the broadest possible participation in international decisions. The developing countries must have a role and voice in the international system, especially in decisions that affect them. But those nations who are asked to provide developing economies are by far the most vulnerable to natural and man-made disasters—the vagaries of weather and of the business cycle, sharp increases in the prices of oil and food have a devastating effect on their livelihood. Recession in the industrial countries depress their export earnings.

Thus economic security is the minimum requirement of an effective strategy for development. Without this foundation, sound development programs cannot proceed and the great efforts that development requires from poor and rich alike cannot be sustained.

Let me set forth our proposal: The United States proposes creation—in the International Monetary Fund—of a new development security facility to stabilize over-all export earnings.

The facility would give loans to sustain development programs in the face of export fluctuations—up to \$2.5-billion, and possibly more, in a single year, and a potential total of \$10-billion in outstanding loans.

Assistance would be available to all developing countries which need to finance shortfalls in export earnings unless the shortfalls are caused by their own acts of policy.

The poorest countries would be permitted to convert their loans into grants under prescribed conditions. These grants would be financed by the proceeds of sales of I.M.F. gold channeled through the proposed \$2-billion trust fund now under negotiation.

Eligible countries could draw most, or under certain conditions all, of their I.M.F. quotas in addition to their normal drawing rights. Much of that could be drawn in a single year if necessary—part automatically, part subject to balance-of-payments conditions and part reserved for cases of particularly violent swings in commodity earnings.

Shortfalls would be calculated according to a formula geared to future growth as well as current and past exports. In this way the facility helps countries protect their development plans.

This facility would replace the I.M.F.'s compensatory finance facility; it would not be available for industrial countries.

The United States will present its detailed proposals to the Board of Directors of the International Monetary Fund this month.

This development security facility would provide unprecedented protection against disruptions caused by reductions in earnings—both for countries whose exports consist of a few commodities and for those with diversified and manufactured exports whose earnings also fluctuate with business cycles. In the great majority of countries, this new facility will cover nearly all the earnings shortfall.

This new source of funds also reinforces our more traditional types of assistance—without the stabilization of earnings the benefits of concessional aid for developing countries is vitiated. For industrialized countries it means a more steady export market. For developing countries it helps assure that development can be pursued without disruption and makes them more desirable prospects in international capital markets for consumers and producers, rich and poor alike, it buttresses economic security.

Thus the success of our efforts in this area will demonstrate that our interdependence can strengthen the foundations of prosperity for all while promoting progress in the developing countries.

### Accelerating Economic Growth

It is not enough to insure the minimal economic security of the developing countries. Development is a process of growth, of acceleration, of greater productivity, higher living standards and social change. This is a process requiring the infusion of capital, technology and managerial skills on a massive scale.

Developing countries themselves will have to provide most of the effort, but international support is indispensable. Even a moderate acceleration of recent growth rates will require some \$40-billion a year in outside capital by 1980. The requirement for technological innovation, though impossible to quantify, is similarly great.

How can these needs for capital, technology, and skills be met?

Several courses of action offer promise. First, the United States will support a major expansion of the resources of the World Bank's International Finance Corporation—the investment banker with the broadest experience in supporting private enterprise in developing countries. We propose a large

increase in the I.F.C.'s capital, from the present \$100-million to at least \$400-million.

Secondly, the United States proposes creation of an International Investment Trust to mobilize portfolio capital for investment in local enterprises. The trust would attract new capital by offering investors a unique opportunity—participation in a managed broad selection of investments in developing country firms, public, private and mixed. The International Finance Corporation would manage it and perhaps provide seed capital, but most of its funds would come from government and private investors. Investors would have their exposure to major losses limited by a \$200-million loss-reserve, provided by governments of industrialized, oil-producing and developing nations. This institution could be a powerful link between the capital market and the developing world and could provide billions of dollars of essential resources.

Thirdly, the United States will contribute actively to the work of the I.M.F.'s World Bank Development Committee to find ways to assist developing countries in their direct borrowing in the capital market. It is encouraging that the Latin-American countries are considering a regional financial safety net to underpin their access to capital markets by mutual commitments of financial backing.

Finally, we believe that all industrial countries access to their national markets to assure that they offer fair and open opportunity. The United States is prepared to provide technical assistance and expertise to developing countries ready to enter long-term capital markets, and we ask others to join us.

### The Key Role of Energy

Energy is critical for both agricultural and industrial development. The enormous rise in the cost of oil in the last two years has more than wiped out the total of the foreign aid that has undermined their balance of payments and has mortgaged their future developing countries have received. It by forcing them into larger borrowing at higher interest rates. There is no easy short-term solution, but if energy dependence is to be reduced, efforts to exploit new and diversified sources must be intensified now.

The United States invites other nations to join us in an increase of bilateral support for training and technical assistance to help developing countries find and exploit new sources of fossil fuel and other forms of energy.

Methods of discovering and using less accessible or low-grade resources must be fully utilized. So must technology to produce solar and geothermal power. And these techniques must be suited to the conditions of the developing countries.

The United States believes the topic of energy cooperation should be high on the agenda for the forthcoming dialogue between consumers and producers. We will propose, in this dialogue, creation of an International Energy Institute bringing together developed and developing, consumer and producer, on the particular problem of energy development. The International Energy Agency and the effort should be a priority task for the new International Fund for Agricultural Development.

But developing countries' need for technology is not only for development of strategic sectors but for the broad promotion of industrialization itself. This requires the broadest application of skills, resources and information.

This is not an easy task. The storehouse of technology is already huge and is growing geometrically. Developing practical devices to transfer technology beyond those which already exist will require careful thought. We are prepared to join with other nations in examining new initiatives.

To this end the United States supports creation of an International Industrialization Institute to sponsor and conduct research on industrial technology together with the governments, industries and research facilities of developing countries.

We support creation of an International Center for the Exchange of Technological Information, as a clearing house for the sharing of ongoing research and new findings relevant to development.

We will expand our bilateral support of industrial technology appropriate to developing country needs.

Access to capital markets and special programs to transfer new technology are but two factors of accelerated growth. There is a third, which may well be one of the most effective engines of development—the transnational enterprise.

Transnational enterprises have been powerful instruments of modernization both in the industrial nations—where they conduct most of their operations—and in the developing countries, where there is often no substitute for their ability to marshal capital, management, skills, technology and initiative. Thus the controversy over their role and conduct is itself an obstacle to economic development.

#### 'Invaluable Asset' at Stake

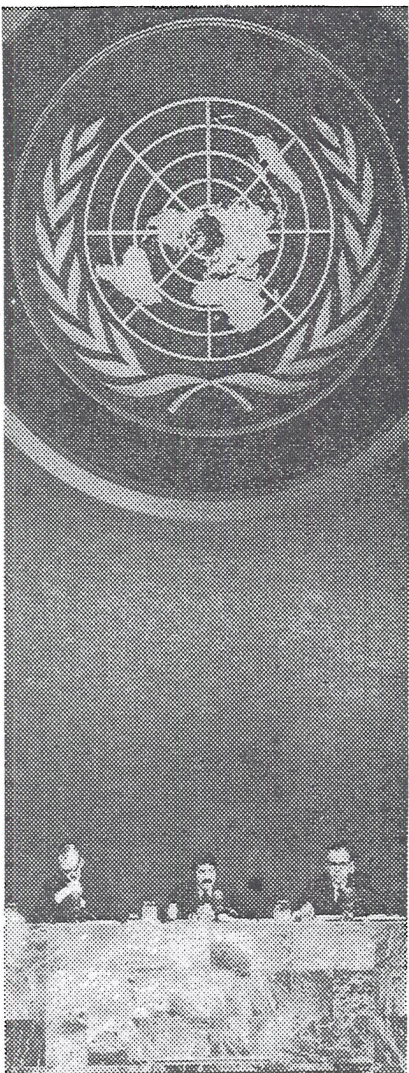
It is time for the world community to deal with the problems, real and perceived, that have arisen. If the nations assembled here cannot reach consensus on the proper role of these enterprises, the developing countries could lose an invaluable asset. Let us make this issue a test of our capacity to accommodate mutual concerns in practical agreement.

Specifically, the United States believes that:

¶ Transnational enterprises are obliged to obey local law and refrain from unlawful intervention in the domestic affairs of host countries. Their activities should take account of public policy and national development priorities. They should respect local customs. They should employ qualified local personnel or qualify local people through training.

¶ Host governments in turn must treat transnational enterprises equitably, without discrimination among them and in accordance with international law. Host governments should make explicit their development priorities and the standards which transnational enterprises are expected to meet and maintain them with reasonable consistency.

¶ Governments and enterprises must



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**Abdelaziz Bouteflika of Algeria, center, presiding over special session. With him are Secretary General Kurt Waldheim, left, and Under Secretary Bradford Morse.**

both respect the contractual obligation that they freely undertake. Contracts should be negotiated openly, fairly and with full knowledge of their implications. Greater assurance that contracts will be honored will improve the international commercial environment, increase the flow of investment and expand economic transactions. Destructive and politically explosive investment disputes, which spoil the climate for large commitments and investment, will occur less frequently.

Principles established for transnational enterprises should apply equally to domestic enterprises where relevant. Standards should be addressed not only to privately owned corporations but also to state owned and mixed transnational enterprises, which are increasingly important in the world economy.

#### Action on Tax Treatment

A statement of principles is not the only or necessarily a sufficient way of resolving many of the problems affecting transnational enterprises. We must develop others:

Governments must harmonize their tax treatment of these enterprises. Without coordination, host-country and home-country policies may inhibit productive investment.

Fact-finding and arbitral procedures must be promoted as means for settling investment disputes. The World Bank's International Center for the Settlement of Investment Disputes and other third-party facilities should be employed to settle the important disputes which inevitably arise.

Laws against restrictive business practices must be developed, better coordinated among countries and enforced. The United States has long been vigilant against such abuses in domestic trade, mergers or licensing of technology. We stand by the same principles internationally. We condemn restrictive practices in setting prices or restraining supplies, whether private or a state-owned transnational enterprise or by the collusion of national governments.

Insurance for foreign private investors should to the extent possible be multilateralized and should include financial participation by developing countries to reflect our mutual stake in encouraging foreign investment in the service of development.

And there must be more effective bilateral consultation among governments to identify and resolve investment disputes before they become irritants in political relations.

The United States believes that just solutions are achievable—and necessary. If the world community is committed to economic development, it cannot afford to treat transnational enterprises as objects of economic warfare. The capacity of the international community to whether the search for solutions or the clash of ideologies will dominate our economic future. The implications for economic development are profound.

#### Trade and Development

Trade and Development The multilateral trade negotiations now taking place in Geneva are central to this effort. They will have a profound impact on the future of the world economy and the prospects for development. If these negotiations fail, all countries risk a slide into an increasingly fragmented, closed world of nationalism, blocs and mounting frictions. If they succeed, all countries will benefit and there will be major progress toward a cooperative and prosperous world.

The United States therefore believes that a major goal of the multilateral trade negotiations should be to make the trading system better serve development goals. Let me briefly outline our policy.

First, there must be fundamental structural improvement in the relationship of the developing countries to the world trading system. In the earlier stages of their development they should receive special treatment through a variety of means—such as preferences, favorable concessions and exceptions which reflect their economic status. But as they progress to a higher level of development they must gradually accept the same obligations of reciprocity and stable arrangements that other countries undertake. At some point they must be prepared to compete on more

equal terms, even as they derive growing benefits.

Second, we must improve opportunities for the manufacturing sectors of developing countries. These provide the most promising new areas for exports at the critical stage in development, but the tariffs of industrial countries are a substantial obstacle. To ease this problem the United States has agreed to join other industrial countries in instituting generalized tariff preferences to permit developing countries enhanced access to the markets of industrialized nations.

I am pleased to announce today that the United States program will be put into effect on Jan. 1, 1976. And before that date we will begin consultations and practical assistance to enable exporting countries to benefit from the new trade opportunities in the American market—the largest single market for the manufactured goods of developing countries.

Third, in keeping with the Tokyo Declaration, we should adapt rules of nontariff barriers to the particular situation of developing countries. In setting international standards for government procurement practices, for example, the United States will negotiate special consideration for the developing countries. We will also negotiate on the basis that under prescribed conditions certain subsidies may be permitted without triggering countervailing duties for a period geared to achieving particular development objectives.

Fourth, we will work for early agreement on tariffs for tropical products, which are a major source of earnings for the developing world. Moreover, the United States will implement its tariff cuts on these products as soon as possible.

Finally, we are ready to join with other participants in Geneva to negotiate changes in the system of protection in the industrialized countries that favors the import of raw materials over other goods. Many countries impose low or no duties on raw materials and high duties on manufactured or processed goods; the tariff protection increases or "escalates" with the degree of processing. Nothing could be better calculated to discourage and limit the growth of processing industries in developing countries. The United States will give high priority in the Geneva negotiations to reducing these barriers.

The developing countries have obligations in return. The world needs a system in which no nation, developed or developing, arbitrarily withholds or interferes with normal exports of materials. This practice—by depriving other countries of needed goods—can trigger unemployment, cut production and fuel inflation. It is therefore as disruptive as any of the other trade barrier I have discussed. We urge negotiations on rules to limit and govern the use of export restraints, a logical extension of existing rules on imports. The United States will join others in negotiating supply access commitments as part of the reciprocal exchange of concessions.

### Commodity Trade and Production

Export of primary products—raw materials and other commodities—are crucial to the incomes of developing countries. These earnings can lift living standards above bare subsistence.

The most vital commodity in the world is food. The United States is its largest producer and exporter. We recognize our responsibility. We have also sought to make international collaboration in food a model for realistic and cooperative approaches to other international economic issues.

Specifically, we propose:

¶To meet virtually all potential shortfalls in food grains production, total world reserves must reach at least 30 million tons of wheat and rice. We should consider whether a similar reserve is needed in coarse grains.

¶Responsibility for holding reserves should be allocated fairly, taking into account wealth, production and trade. The United States is prepared to hold a major share.

¶Acquisition and release of reserves standards such as anticipated surpluses and shortfalls in production.

¶Full participant in the system should receive assured access to supplies. Among major producers, full participation should require complete exchange of information and forecasts.

¶Special assistance should be extended to developing countries that participate, to enable them to meet their obligation to hold a portion of global reserves.

### 'Let Us Move Ahead Rapidly'

The United States is ready to negotiate the creation of such a system. Let us move ahead rapidly.

And let us apply the same approach of cooperation to other primary commodities that are similarly beset by swings of price and supply—and that are similarly essential to the global economy.

¶We recommend that a consumer-producer forum be established for every key commodity to discuss how to promote the efficiency, growth and stability of its market. This is particularly important in the case of grains, as I have outlined. It is also important in copper, where priority should be given to creating a forum for consumer-producer consultation.

¶The first new formal international agreement being concluded is tin. We have participated actively in its negotiation. President Ford has authorized me to announce that the United States intends to sign the tin agreement, subject to Congressional consultations and ratification. We welcome its emphasis on buffer stocks, its avoidance of direct price-fixing and its balanced voting system. We will retain our right to sell from our strategic stockpiles, and we recognize the right of others to maintain

¶We are participating actively in negotiations on coffee. We hope they will result in a satisfactory, new agreement that reduces the large fluctuations in prices and supplies entering the a similar program.

¶We will also join in the forthcoming cocoa and sugar negotiations. Their objective will be to reduce the risks of investment and moderate the swings in prices and supplies.

¶We will support liberalization of the International Monetary Fund's financing of buffer stocks, to assure

that this facility is available without reducing other drawing rights.

### Raising Worldwide Capacity

I have already announced my Government's broad proposal of a development security facility—a more fundamental approach to stabilizing the overall earnings of countries dependent on commodities trade. My Government also believes that an effective approach to the commodities problem requires a comprehensive program of investment to expand worldwide capacity in minerals and other critical raw materials. This is basic to the health of both

There are presently no shortages in industrial and developing economies. most basic raw materials, nor are any likely in the next two or three years. But the adequacy of supplies in years to come will be determined by investment decisions taken now. Because the technology for processing lower-grade ores is extremely complex and the financing requirements for major raw material investments are massive, new projects take several years to complete. In some countries the traditional source of funds—private foreign investment—is no longer as welcome, nor are investors as interested as in the past.

The United States therefore proposes a major new international effort to expand raw-material resources in developing countries.

### The Poorest Nations

Any strategy for development must devote special attention to the needs of the poorest countries.

This challenge has two dimensions. We must look to elemental economic security and the immediate relief of suffering. And we must give preference to these countries' needs for future economic growth.

First, security means balance of payments support for the poorest countries during periods of adversity. For them global recessions and wide swings in prices of key commodities have a particularly disastrous impact. Yet these countries have very little access to short and medium-term capital to help them weather bad times. The little finance to which they have access often involves interest rates that are too high considering their chronic debt-repayment problems.

To provide greater balance-of-payments support at more acceptable rates of interest for the poor nations, the United States last November proposed a trust in the International Monetary Fund of up to \$2-billion for emergency relief. Although this proposal met with wide support, it has been stalled by a dispute over an unrelated issue—the role of gold in the international monetary system. We cannot let this delay continue. If others meet us in this same spirit, we could reach a consensus on the trust fund by the next meeting in January.

Secondly, security requires stable export earnings. The new approach that we are proposing today for earnings stabilization can provide major new economic insurance in the form of loans and grants for the poorest countries.

Thirdly, security means having enough to eat. There must be determined international cooperation on food.

### More Food Assistance

The World Food Conference set a target of 10 million tons of food aid annually. This fiscal year the United States food-aid budget provides for almost six million tons of food-grains—60 per cent of the world target, and a 20 per cent increase over last year. Other producers must also provide their share.

Another priority in the poorest countries must be to reduce the tragic waste of losses after harvest from inadequate storage, transport and pest control. There are often simple and inexpensive techniques to resolve these problems. Investment in such areas as better storage and pesticides could have a rapid and substantial impact on the world's food supply—indeed the saving could match the total of all the food aid being given around the world. Therefore, we urge that the Food and Agricultural Organization, in conjunction with the U.N. Development Program and the World Bank, set a goal of cutting in half these postharvest losses by 1985, and develop a comprehensive program to this end.

Finally, security means good health and easing the strains of population growth. Disease ravages the poorest countries most of all and exacts a cost. At the same time we face the stark reality that there will be twice as many people to feed by the end of this century as there are today. One of the most promising approaches to these problems is the integrated treatment, family planning and nutritional delivery of basic health services at the community level, combining medical treatment, family planning and nutritional information, and using locally trained paramedical personnel. The United States WILL SORT A M PPAOU i VVETAVmvmmm

United States will support a major expansion of the effort already under way, including those in cooperation with the World Health Organization, to develop and apply these methods. We strongly urge the help of all concerned nations.

Programs to achieve minimum economic

c securitz, however essential solve only part of the problem. We must help the poorest nations break out of their present stagnation and move toward economic growth.

This means first of all that they should have preferential access to official, concessionary financial aid. They have the least dynamic exports, but they lack the capital to develop new ones. They have the direct need for financing, but they have no access to carry greater debt.

summon the effort required, outside to capital markets and little ability assistance can be productive. All nations with the financial capacity must share the responsibility. We will do our part. More than 70 percent of our development assistance goes to low-income countries. More than 60 percent of this year's proposed programs

is devoted to food and nutrition, which are of particular importance to the poorest.

#### U.S. to Replenish Fund

The special financial needs of the poorest countries can be met, particularly by expanded low-interest loans of the international financial institutions. The International Development Association of the World Bank group is a principal instrument whose great potential has not been fully realized. After Congressional consultations the United States will join others in a substantial fifth replenishment of the resources of the International Development Association provided that the oil exporting countries of the International Development Association provided that the oil exporting countries also make a significant contribution.

An effective strategy for sustained growth in the poorest countries must

expand their agricultural production. for external food aid cannot possibly fill their needs. The current gap between what the developing countries need and what they can produce themselves is 15 million tons; at present rates of growth the gap is expected to double or triple within the next decade. Failure to meet this challenge will doom much of the world to hunger and malnutrition and all of the world to periodic shortages and higher prices.

Traditional bilateral aid programs to boost agricultural production remain indispensable. President Ford is asking Congress for authorization to double our bilateral agricultural assistance this year to \$582-million. We urge the other affluent nations to increase their contributions as well.

Clearly a massive program of international cooperation is also required. More research is needed to improve agricultural yields, make more efficient use of fertilizer and find better farm management techniques. Technical assistance and information exchange are needed for training and for technological advance. Better systems of water control, transportation and land management are needed to tap the developing countries' vast reserves of land, water and manpower.

To mobilize massive new concessional resources for these purposes, the United States proposes the early establishment of the new International Fund for Agricultural Development. President Ford has asked me to announce that he will seek authorization of a direct contribution of 200-million to the fund—provided that others will ass their support for a combined goal of at least \$1-billion.

The International Fund for Agricultural Development can be the major source of new capital to attack the most critical problems of the poor developing countries. The United States urges the world community to give it prompt and major support.

#### The Political Dimension

In every area of endeavor that I have described—economic security, growth, trade, commodities and the needs of the poorest—the developing countries themselves want greater influence over the decisions that will affect their future. They are pressing for a greater role in the institutions and negotiations by which the world economic system is evolving.

The United States believes that participation in international decisions must be widely shared, in the name of both justice and effectiveness. We believe the following principles should apply:

The process of decision should be fair.

The methods of participation must be realistic.

The process of decision should be responsive to change.

Finally, participation should be tailored to the issues at hand.

Most relevant to our discussion here is the improvement of the United Nations system, so that it can fulfill its Charter mandate "to employ international machinery for the promotion of the economic and social advancement of all peoples." We welcome the thoughtful report by the Secretary General's group of 25 experts on structural reform in the U.N. system. We will seriously consider its recommendations. In our view, an improved U.N. organization must include:

☐ Rationalization of the U.N.'s fragmented assistance programs.

☐ Strengthened leadership within the central Secretariat and the entire U.N. system for development and economic cooperation.

☐ Streamlining of the Economic and Social Council.

☐ Better consultative procedures to insure effective agreement among members with a particular interest in a subject under consideration.

☐ A mechanism for independent evaluation of the implementation of programs.

The United States proposes that 1976 be dedicated as a year of review and reform of the entire U.N. development system. An intergovernmental committee should be formed at this session, to begin work immediately on recommendations that can be implemented by the General Assembly in its 1976 session. We consider this a priority in any strategy for development.