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COMMITTEE FOR DEVELOPMENT PLANNING

REPORT ON THE NINETEENTH SESSION

(18-27 April 1983)

ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS, 1983

SUPPLEMENT No. 6



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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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I. MAIN FINDINGS AND RECOMMENDATIONS

1. The Committee finds the evidence of deep crisis and mounting disorder so compelling today that all Governments must respond with vision and urgency to new initiatives for collaboration.

2. The present institutions for co-operation in matters of trade, money and finance have served the world well but they have this time failed to avert a profound crisis and Governments will have to give new thought to the needs of the international economy.

* * *

3. The world economy crashed in 1982. There was no growth in world production. Industrial production contracted by 4 per cent. World trade fell in volume and even more in value, for the first time in the post-war period. The contraction of economic activity in the early years of the Third United Nations Development Decade has been the longest and deepest in the past 50 years.

4. The human cost of the present disruptions of the world economy cannot be measured by the loss of output or the slow-down in the rate of growth. In the industrialized market economies, it is expected that it will take many years to restore full employment. In most developing countries, the contraction caused a state of emergency: real per capita income fell for the third year in a row; shortages and budgetary cuts approached - and sometimes exceeded - the political breaking point, and living conditions deteriorated. International development was in reverse gear, and everywhere the burden of contraction tended to fall on the weakest groups of society.

5. The notion that adequate recovery is on the way and that further steps are no longer necessary would be dangerously complacent. Overall policies remain contractionary. Real interest rates remain very high and major exchange rates are still badly out of line. Investment is held back by large excess capacity, pervasive uncertainties and a lack of confidence in the future.

6. The most serious threat to world recovery is the chaotic situation prevailing in international financial relations, as well as the unprecedented contraction forced upon all groups of developing countries, including the oil-exporting countries. The bulk of the external adjustment at present undertaken by the developing countries is due to the recession itself and serves to reinforce it further.

7. The threat to the international trading system is as serious as the emergency régime in the international financial system. The protectionist response takes a variety of forms. Such policies, which seek to pre-empt shrinking markets are not only disruptive to the world economy but infuse bitter conflicts in international relations.

8. Political tensions in East-West relations have also resulted in the introduction of economic sanctions which, even if they are ineffective, have a negative effect both on economic relations and on the general international situation.

* * *

9. In view of the tensions and imbalances that characterize current international economic relations, not least the towering debt problems, there can be no confidence that the recovery signs visible in early 1983 will be sustained and still less certainty that the recovery will spread to developing countries. The Committee, at its eighteenth session in 1982, urged the consideration of a programme for world economic recovery and similar proposals have been made by several prominent groups and individuals. The Committee remains convinced of the paramount need for deliberate steps to be taken in this direction.

10. The case for an internationally co-ordinated shift towards expansion in the industrialized countries, notably those which have with the lowest inflation and are in a relatively good balance-of-payments position, remains valid. The Committee is well aware of the need to avoid the return of inflation. However, the Committee believes, as it stated in its previous report, that income policies are necessary if economic revival is to be stimulated without a resurgence of inflation.

* * *

11. The harsh adjustment imposed on the developing countries is sometimes represented as a form of necessary adaptation to new conditions in the world economy, laying the basis for future growth. The Committee does not share this view. In a situation of general contraction, the attempts of all countries to cut back further can only worsen the situation. It is difficult to escape the impression that one of the most serious threats to world recovery would be that developing countries actually carry out the adjustment programmes pressed upon them.

12. Today it is sometimes claimed that it should not even be the task of the International Monetary Fund (IMF) to help countries ride out a world recession, but this was certainly one of the purposes for which it was established, and this great ambition is enshrined in its Articles of Agreement. The Committee strongly favours an anticyclical role for the Fund and a further increase in its resources.

13. Given the present circumstances, and especially since the quota increase will not take effect until 1984, the Committee supports the proposal that the Fund should, as a temporary measure, be allowed to borrow, in the first place from central banks but also if need be in capital markets.

14. The Committee also finds that the present situation calls for a substantial issue of special drawing rights (SDRs), in accordance with section 1 (a) of article XVIII of the Fund's Articles of Agreement which provides that such issues shall be guided by the need to "avoid economic stagnation and deflation as well as excess demand and inflation in the world".

15. The hesitation to allow an enlargement of the Fund or new SDR issues is usually based on the fear that such an increase in world liquidity would have inflationary consequences. However, in the present conditions of patent liquidity shortage, the Committee cannot find that even a substantial increase in the Fund's resources would be likely to have inflationary effects. Taken to its extremes, the argument against doing anything for fear of inflation is an argument against economic recovery as such, for it must be hoped that recovery will at least raise commodity prices to more reasonable levels.

* * *

16. The Committee also thinks that a number of other measures are called for to remedy the acute crisis in the poorest countries whose position deteriorated catastrophically in 1982:

(a) International Monetary Fund. Urgent provision of short-term balance-of-payments support; replenishment of the Subsidy Account or restoration of the Trust Fund; enlargement of the Compensatory Financing Facility and improvement of its coverage;

(b) World Bank. Increased programme lending; and an early increase in its total capital in parallel with the eighth quota review of IMF;

(c) United Nations Development Programme. Redressal of the decline in its resources;

(d) Aid. Increased levels of official development assistance (ODA) and a larger aid transfer in rapidly disbursing form; renewed international efforts for aid co-ordination; and raised food-aid levels and targets;

(e) Commodities. Action to strengthen primary commodity earnings and to reduce tariff protection on processed primary products.

17. The Committee attaches the greatest importance to a speedy restoration of the International Development Association (IDA) to the full operational level previously agreed on; its contributions to long-term investment projects in low-income countries have been widely acclaimed and it now, even more than when it was created, fills a need that other sources cannot meet.

* * *

18. For countries with large foreign debts, the years ahead will be difficult and trying. However, if recovery is too long delayed and rescheduling is done at high rates of interest, the need for extensive cancellation will inevitably arise.

19. Procedures for rescheduling official debts have already assumed a certain standard pattern. However, the Committee shares the view that more systematic criteria and practices, including renegotiation when necessary, would be in the interest of both creditors and debtors in the many debt examinations that must be anticipated. An ad hoc approach to debt rescheduling penalizes the very prudence that is desired in debt management and rewards the spendthrifts.

20. The initiative to set up an international banking institute to act as a clearing house for information among private banks might well serve a stabilizing function. Proposals have been made for the establishment of countervailing debtors' associations, and the case for sharing experiences among debtors is indeed very strong. The Committee believes that the mutual suspicion of attempts to raise the level of information among creditors and debtors is misplaced and supports the idea of a debtors' club or institute with the object of sharing market experience.

* * *

21. Despite frequent and eloquent appeals for a halt to protectionism, the disruption of the trading system has gathered momentum. The principles laid down in the General Agreement on Tariffs and Trade (GATT) are increasingly violated and

trade is restrained by arrangements that evade its articles. Overcoming disorder in world trade requires, in the first place, a reversal of the protectionist surge.

22. In the view of the Committee, the need for a non-discriminatory safeguard code has high priority. A new safeguard code should probably go considerably further than article XIX of GATT in providing positive guidelines for international co-operation in a state of widespread excess capacity rather than merely restrictions on the resort to emergency measures.

23. At present, the surveillance of restrictive practices and harassment of exports is quite deficient. Greater transparency is often and rightly called for and the Committee believes that the capacity of GATT and of the United Nations Conference on Trade and Development (UNCTAD) to establish a comprehensive inventory of trade restrictions should be greatly strengthened.

* * *

24. Renewed expansion of the international economy in the remaining decades of the present century requires an overhaul of the machinery for international co-operation that has so far served the post-war world. The monetary system for which IMF was designed no longer exists, and in many other respects as well the Bretton Woods institutions no longer reflect contemporary realities. Looking to the needs of the world economy in the remaining decades of the present century, and the need for stability, equity and world development, the Committee considered proposals for a conference on the longer-term issues in the interrelated areas of trade, money and finance. The Committee believes that there is justification for such a conference but that it would be futile to convene it without an extensive exploratory review of the issues and of the likelihood of securing sufficient agreement on new arrangements.

25. The Committee therefore proposes that an ad hoc group should be established under the auspices of the United Nations, composed of high-level experts from its concerned agencies and bodies, particularly IMF and the World Bank, UNCTAD and GATT, as well as independent personalities with extensive experience of the issues involved. This group should examine the full range of existing proposals for reform and consult all relevant parties and should also consider possible modalities for the negotiation of change, recognizing the wide diversity of interests and needs in the contemporary world community.

* * *

26. Progress towards the goal of disarmament is essential to a relaxation of international tension and it would at the same time be a great economic relief. Military expenditures contribute importantly to the budgetary deficits that compel some Governments to limit their development aid and that drive up interest rates, spur inflation and thus stand in the way of recovery. In the developing countries, the acquisition of modern and sophisticated arms is a heavy drain on their resources and opens the door to new and dangerous forms of dependence.

27. The crisis of the early 1980s has underscored the vulnerability of developing countries to external economic shocks, and the Committee has given attention to the ways in which they could attain greater autonomy and freedom of manoeuvre, whether by themselves or in co-operation with other developing countries. The Committee remains convinced of the large potential gains to be derived from closer

co-operation in trade and finance among developing countries, but is inclined to believe that the realization of such schemes requires the establishment of a world secretariat which could help to focus and align the interests of developing countries and serve them in international negotiations.

* * *

28. At the sixth session of the United Nations Conference on Trade and Development, the issues discussed in the present report will be on the agenda. If Governments approach these issues with the full realization of how much they all stand to lose from failing to work together, the outlook for the world will be less sombre.

II. OVERCOMING INTERNATIONAL ECONOMIC DISORDER

A. The state of the world economy

1. The crash of 1982

29. There was no growth in world production in 1982 (see table below) and world trade fell in volume and even more in value, for the first time in the post-war period.

30. The contraction of economic activity in the early years of the Third United Nations Development Decade has been the longest and deepest in the last fifty years. It has deeply affected all groups of countries of the world, whatever their economic system or stage of development. The centrally planned economies showed the greatest stability and continued to grow, although more slowly than in the 1970s, but many of them have been forced to retrench their plans. In the member countries of the Organisation for Economic Co-operation and Development (OECD), unemployment edged up further, real income contracted and soaring deficits in public finances became a universal concern. In most of the developing countries, however, the contraction caused a state of emergency: real per capita income fell for the third year in a row, shortages and budgetary cuts approached - and sometimes exceeded - the political breaking point, and living conditions deteriorated. International development was in reverse gear.

31. This world-wide distress was not due to natural disasters that the international community could not deflect. It was partly due to structural disequilibria in and between national economies but in large measure it was also due to the policies resorted to by major industrial market economies to control inflation after the increase in energy prices in 1979-1980 and to their attempts to maintain employment by protectionist measures. These policies increased the strain on other countries but the interdependence of the world economy is such that economic distress cannot be exported without coming back in force. The volume of the industrialized countries' exports fell by almost 2 per cent, mainly reflecting the drastic cut-backs in imports by developing countries. World industrial production contracted by some 4 per cent in 1982. 1/

32. One of the principal objectives of the arrangements for international economic co-operation in matters of trade, money and finance is to ward off a self-reinforcing contraction of the world economy. The present institutions for co-operation in these matters have served the world well, but they have this time failed to avert a profound crisis and Governments will have to give new thought to the needs of the international economy.

33. The signs of recovery seen in the spring of 1983 must be followed up by appropriate policy changes. In the sections that follow, the Committee considers three sets of issues arising from the experience of the past year:

(a) The immediate prospects in the light of the signs of recovery in some industrialized countries and the simultaneous signs of mounting crisis in many developing countries;

World production: percentage of annual change, by
country group, 1976-1982 a/

	1976-1980	1981	1982 <u>b/</u>
World	3.9	1.4	0.2
Developed market economies	3.5	1.3	-0.3
Centrally planned economies <u>c/</u>	4.3	2.2	2.6
Developing countries	5.2	0.7	-0.7

Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on official national and international sources.

a/ Gross domestic product for market economies; net material product for centrally planned economies.

b/ Preliminary estimates.

c/ Includes China.

(b) The steps that must be taken in the near term to overcome the obstacles that lie in the way of a return to a healthier world economy, and an assessment of the long-term implications of the recent contraction of the world economy for co-operation among the nations of the world;

(c) The crisis of the early 1980s that has underscored the vulnerability of developing countries to external economic shocks: the Committee has given attention to the ways in which they could attain greater autonomy and freedom of manoeuvre, whether by themselves or in co-operation with other developing countries.

34. At the sixth session of the United Nations Conference on Trade and Development (UNCTAD), the issues discussed in the present report will be on the agenda. If Governments approach these issues with the full realization of how much they all stand to lose from failing to work together, the outlook for the world will be less sombre.

2. Obstacles to recovery

35. In the spring of 1983, there are signs that a turning point has been reached in the economy of the United States of America and an upswing is now expected to follow the sharp drop in 1982. The decline in the rate of inflation in 1982 has encouraged some easing of monetary restraint, and car sales and housing construction have been stimulated. Improvement is also expected in some other industrialized countries.

36. None the less, the outlook remains highly uncertain. Overall policies remain contractionary. Experience has shown that isolated national attempts at expansion can rekindle inflation and give rise to unsustainable external deficits, thus forcing a return to sharp demand restriction. Real interest rates remain very high and major exchange rates are still badly out of line. Investment is held back by large excess capacity, pervasive uncertainties and a lack of confidence in the future. The fall in oil prices may, on balance, be favourable to most of the developed market economies but for those that are energy exporters it means a new and serious disruption in their external accounts. Conflicts in the trade field continue to grow among OECD member countries.

37. The most serious threat to world recovery is the chaotic situation prevailing in international financial relations, as well as the unprecedented contraction forced upon all groups of developing countries, including the oil-exporting countries.

38. The combined impact of the external adversities suffered by the developing countries in the past few years has been of staggering magnitude. Commodity prices dropped between 1980 and 1982 under the impact of the recession, by 60 per cent in the case of food, about 50 per cent for oil-seeds and oils, 40 per cent for tropical beverages, and 30 per cent for agricultural raw materials and minerals. Exports of manufactures to developed market economies suffered not only from weak demand but from numerous new protective measures introduced for textiles, clothing, footwear, steel and agriculture. Altogether, export revenues from commodities and manufactures fell in two years by some \$US 40 billion in spite of a substantial increase in export volumes. Debt service payments rose by about the same amount.

39. While inflation has been brought down in the major industrialized countries, shortages and devaluations have had the opposite effect in many developing countries in which inflation is accelerating alarmingly.

40. The impact of the recession was thus much deeper than that in the mid-1970s. At that time, financial resources to sustain the imports necessary for continued growth were fairly ample. There was an increase of ODA in real terms, and private medium-term credits and official long-term finance increased at reasonable rates of interest, especially in real terms, as export prices rose.

41. However, the current situation has been decidedly unfavourable on all counts. ODA flows in real terms declined. Interest rates on new loans reached 20 per cent, and although they declined in nominal terms, the drop in export prices has made real rates of interest excruciating. Average interest on debts lagged behind but debt service ratios climbed steeply, reaching in 1982 an average of as much as 60 per cent for the 86 developing countries for which information is available, 70 per cent for the 20 largest debtors, and for individual countries, more than that.

42. In these circumstances, confidence in the capacity of borrowers to service their debt was bound to be strained and the debt crises in the second half of 1982 were not entirely unexpected. They none the less brought about widespread awareness of the possibility of an imminent collapse of the international financial system.

43. In this situation it proved possible to mount stop-gap operations involving close co-operation between the Governments immediately concerned, their central banks, the Bank for International Settlements, the International Monetary Fund and the large number of commercial banks involved. In the course of a few months, IMF emerged as the concerting manager of unusually difficult rescheduling exercises and made imaginative use of its limited resources to press the banking community into a course of action which it might not otherwise have chosen.

44. None the less, the volume of international lending by commercial banks to developing countries and to Eastern European borrowers slowed down precipitously in the second half of 1982, and the terms and conditions hardened.

45. In the case of the developing countries, this raised agonizing concerns, especially as it soon became apparent that some of the relief operations were likely to be inadequate. The position was worse in the developing countries that did not benefit from the relief operations.

46. The squeeze on external credit to Eastern European borrowers began at the outset of the Polish crisis, and in 1982 they actually repaid more than they borrowed from international banks. As in the industrial market economies, growth rates had started to turn down around the mid-1970s but, especially in those countries in Eastern Europe that had adopted import-led growth strategies, contracting export markets and declining terms of trade made debt service burdens very heavy. The sharp adjustment undertaken by most of those countries in 1982 was associated with substantial cuts in imports and consumption but these were not allowed to result in increased unemployment. The Union of Soviet Socialist Republics too turned its negative trade balance with convertible currency areas into a surplus. The experience of this turbulence and of the need for sudden adjustments of plans and policies demonstrated the hazards of great foreign indebtedness, and debt reduction emerged as a policy objective of high priority. From an international point of view, the curtailment of this uncomfortably large credit exposure can only be welcomed but it is also true that the trade surpluses to which it gave rise will constitute a contractionary element.

47. The threat to the international trading system is as serious as the emergency régime in the international financial system. Rising unemployment in the developed market economies has produced insistent demands for new protectionist measures. The protectionist response takes a variety of forms: extensive industrial policy subsidies to domestic companies, voluntary export restraints negotiated with foreign countries and companies, orderly-marketing arrangements, and the like. Bilateral sectoral deals are increasing and barter agreements proliferate. 2/ Such policies, which seek to pre-empt shrinking markets, are not only disruptive to the world economy but infuse bitter conflicts in international relations.

48. Political tensions in East-West relations have also resulted in the introduction of economic sanctions which, even if they are ineffective, have a negative effect both on economic relations and on the general international situation.

49. In view of the tensions and imbalances that characterize current international economic relations, not least the towering debt problems, there can be no confidence that the recovery signs visible in early 1983 will be sustained and still less certainty that the recovery will spread to developing countries.

Commodity prices bottomed-out by the end of 1982 but it will be some months before they turn up and exports from developing countries cannot for a long time be expected to expand at a pace that might relieve their acute balance-of-payments difficulties. The notion that adequate recovery is on the way and that further steps are no longer necessary would be dangerously complacent. The case for an internationally co-ordinated shift towards expansion in the industrialized countries, notably those which have the lowest inflation and are in a relatively good balance-of-payments position, remains valid. The Committee, at its eighteenth session in 1982, urged the consideration of a programme for world economic recovery and similar proposals have been made by several prominent groups and individuals, many in recent months. 3/

50. The Committee remains convinced of the paramount need for deliberate steps to be taken in this direction if recovery is not to be thwarted by a resurgence of inflation or a renewed worsening of monetary and financial imbalances.

3. The social cost of the crisis

51. The human cost of the present disruptions of the world economy cannot be measured by the loss of output or the slow-down in the rate of growth. The burden everywhere tends to fall most heavily on the weakest groups of society.

52. In the industrialized market economies, it is expected that it will take many years to restore full employment. Indeed, many believe that the present crisis marks the end of a long era of prosperity and that full employment will never be restored; they see the rapid technological advance creating a widening gulf between skilled and unskilled labour. Such pessimistic visions seem premature but there are many reasons to think that industrial - or post-industrial - societies will not in the future be able to maintain the trend towards a rising share for tax and public spending out of gross national product (GNP). Budgetary pressure has been used to justify cuts in social expenditure in some countries and almost everywhere it has prompted renewed questioning about the limits of the welfare state.

53. In the developing countries conditions vary greatly, but in most of them the harsh contraction of recent years has been extremely painful. In Brazil alone, the absolute number of unemployed amounts to as much as 30 million which is equal to that of all of the OECD member countries combined. In many countries, standards of living, governmental services and social conditions have deteriorated and the modest gains of past progress are being eroded.

54. Most developing countries are only just beginning to engage in welfare policies and the provision of social services but considerable progress was actually made in the 1960s and 1970s. The decline in mortality was partly due to improvements in general living conditions but there were also important gains in public health and medical care. Life expectancy in many of the poorest countries was raised from 35-40 years to about 50 years and infant mortality was brought down to a fraction of its original level.

55. Today the incomes of poor households are too low to stave off hunger. Because of malnutrition and under-nutrition, mortality is rising. Government spending for health, education and welfare has generally been cut, especially in rural areas of small political sensitivity. Efforts to improve the precarious health situation

and combat infectious and parasitic diseases are being curtailed and in several countries even such urgent programmes as controlling the resurgence of malaria have had to be cut back. Foreign exchange allocations for social purposes and for the imports of even essential drugs have been decimated.

56. In hardship conditions, economists and policy-makers are sometimes inclined to believe that social expenditure can be dispensed with without causing great harm. However, hunger, ill health and illiteracy must be tackled not only for social and humanitarian reasons. Investment in human resources is essential for productivity and development. The international community also has a special responsibility to help the poorest countries to strengthen their systems of primary health care.

57. Ultimately, the aim of development must be the improvement of the well-being of the entire population, on the basis of its full participation and of fair and equitable distribution. Major improvement in employment, especially for the young, for women and for minority groups, income redistribution in favour of the neediest, better health care and education and progress on environmental protection are necessary elements of national development policies.

B. Inadequacies of international economic co-operation

1. The shortage of financial resources

58. As noted above, the severity of the crisis of 1980-1982 in developing countries was in large measure due to the fact that it was very difficult to mobilize the capital flows necessary to mitigate the sharp external shocks that most countries suffered.

59. The harsh adjustment thus imposed on the developing countries is sometimes represented as a form of necessary adaptation to new conditions in the world economy, laying the basis for future growth. The Committee does not share this view. To be sure, there is an extensive need for structural adjustment in all countries after the changes in relative energy prices and patterns of long-term competitive advantage. However, the present climate of uncertainty and contraction is not conducive to the investments required for such structural change and the low level of investment in most countries is, in fact, one of the fundamental aspects of the recession.

60. There is also an obvious need for adjustment when countries have incurred balance-of-payments deficits through domestic policies that have unduly inflated demand. However, the bulk of the external adjustment at present undertaken by developing countries is due to the recession itself and serves to reinforce it further. In a situation of generalized contraction, the attempts of all countries to cut back further can only worsen the situation. It is difficult to escape the impression that one of the most serious threats to world recovery would be that developing countries actually carry out the adjustment programmes pressed upon them.

61. The debt crises of 1982 served to focus attention on the fact that international liquidity was stretched to the breaking point, and the steps taken at the beginning of 1983 to increase the quotas of IMF and to enlarge the General Arrangements to Borrow and broaden their uses were a recognition of the general need. However, the quota increases will not take effect until 1984 and may not even at that time be sufficient.

62. Even with the proposed enlargement of the Fund's resources they will be smaller in proportion to world trade than in the 1960s and 1970s, at a time when the demand made on the Fund is reaching new dimensions.

63. Today it is sometimes claimed that it should not even be the task of IMF to help countries ride out a world recession but this was certainly one of the purposes for which it was established, and this great ambition is enshrined in its Articles of Agreement. The Committee strongly favours an anticyclical role for the Fund and a further increase in its resources.

64. Whether the Fund should borrow in capital markets and acquiesce in accommodating market demands, or whether it should derive its financial strength from government sources in order to impose a political direction to the operation of international markets for credit and capital is obviously a question of major import on which the Committee does not now wish to take a stand. However, given the present circumstances, and especially since the quota increase will not take effect until 1984, the Committee supports the proposal that the Fund should, as a temporary measure, be allowed to borrow, in the first place from central banks but also if need be in capital markets.

65. The Committee also finds that the present situation calls for a substantial issue of SDRs, in accordance with section 1 (a) of article XVIII of the Fund's Articles of Agreement which provides that such issues shall be guided by the need to "avoid economic stagnation and deflation as well as excess demand and inflation in the world". Unless developed countries choose to cede their SDR allocations to developing countries they are unlikely to be used and this will result in a major increase in liquidity. Consideration could also be given to the possibility of issuing SDRs to IMF itself.

66. The hesitation to allow an enlargement of the Fund or new SDR issues is usually based on the fear that an increase in world liquidity would have inflationary consequences. The Committee is well aware of the need to avoid the return of inflation. However, in the present conditions of patent liquidity shortage, the Committee cannot find that even a substantial increase in the Fund's resources would be likely to have inflationary effects. Taken to its extremes, the argument against doing anything for fear of inflation is an argument against economic recovery as such, for it must be hoped that recovery will at least raise commodity prices to more reasonable levels. However, the Committee believes, as it stated in its previous report, that income policies are necessary if revival is to be stimulated without a resurgence of inflation.

67. There is also, at the present time, an increasing reluctance to provide unconditional assistance, whether bilateral or multilateral. The crises in developing countries create the impression that their policies are to blame for the difficulties in which they find themselves. The Committee is well aware of policy deficiencies in many countries, both in the North and the South, and is anxious to see them corrected, but it finds it a matter of concern that international agencies which accept the principle of providing low-conditionality finance to cover short-term deficits arising from circumstances beyond a country's control are not in fact able to provide such finance on anything like an adequate scale.

68. The Committee also thinks that a number of other measures are called for to remedy the acute crisis in the poorest countries and to reduce the risk inherent in the debt situation of middle-income countries.

2. Measures in favour of the least developed and other low-income developing countries

69. Although some commitments were made at the United Nations Conference on the Least Developed Countries, held in Paris in 1981, to increase assistance to the least developed countries, very little has actually been done to help either them or the other low-income developing countries whose position deteriorated catastrophically in 1982.

70. No action has been announced to replenish the Subsidy Account or to restore the Trust Fund in IMF which would help to improve the terms of the Fund's lending and make it more appropriate to the borrowing capacity of low-income countries. Enlargement of the Compensatory Financing Facility and improvement of its coverage would also be of particular value to the low-income, commodity-dependent countries.

71. Some of the needs of low-income countries for near-term balance-of-payments support could also be met by increased programme lending on the part of the World Bank group and bilateral donors. The World Bank has responded by announcing a Special Action Program which recognizes the gravity of the present situation and is aimed at increasing programme lending in order to keep things going. However, the Bank's lending level has virtually stagnated in real terms during the past three years. In addition, commitment to IDA has been weakened by the actions and attitudes of some donors at a time when the enlargement of the Bank's membership has sizeably increased its responsibility. The Committee attaches the greatest importance to a speedy restoration of IDA to the full operational level previously agreed on; its contributions to long-term investment projects in low-income countries have been widely acclaimed and it now, even more than when it was created, fills a need that other sources cannot meet. In parallel with the eighth quota review of IMF, there also is need for an early increase in the total capital of the World Bank.

72. Few bilateral donors have announced increases in levels of ODA or a willingness to transfer more aid in rapidly disbursing form, while a number of donors have reduced aid in real terms. The budgetary difficulties experienced by donor Governments are well known but it is also apparent that these constraints do not stand in the way of spending when high priority is attached to it. At present, the situation is that, as a result of circumstances completely beyond their control, many developing countries are unable to secure such essential items as food, fuel, medicines or spare parts to operate their existing productive capacity. In such circumstances, their need for short-term balance-of-payments support is compelling. The Committee urges the donor community to address this situation of critical need.

73. The large and unmet needs for programme assistance should not take all attention away from other aspects of aid. Various reports, including most recently the second report of the Brandt Commission, Common Crisis, 4/ have referred to the importance of increasing food-aid levels and targets. Most aid channels are short of funds and some, such as UNDP, are particularly hard hit: UNDP resources

declined even in nominal terms in 1981 and 1982, and in real terms the situation in 1983 will be worse than in 1973. In almost all forms of aid there is also considerable room for improving the efficiency of use. The Committee urges that renewed international efforts be made for aid co-ordination, especially in Africa where the lack of co-ordination is very damaging to aid efficiency, and for greater participation of the beneficiaries in the whole project cycle.

74. In this context, the trading problems of low-income countries also deserves attention. Little progress has been made on action to strengthen commodity earnings, to reduce tariff protection on processed primary products or to take other trade measures of particular interest to these countries.

3. Implications of the present debt situation

75. For countries with large foreign debts, the years ahead will be difficult and trying. Broadly speaking, the international debt situation depends critically on the relationship between the rate of growth of export earnings and the rate of interest. If export earnings grow at a rate below the rate of interest for any length of time, the situation soon becomes unmanageable. In 1982, the export earnings of the non-oil developing countries actually fell by 6 per cent and the average rate of interest on their debt was above 10 per cent. Without a substantial and rapid recovery of export volumes and prices, the situation is likely to become untenable for many countries. The Committee is anxious to emphasize that the principal cause of the widespread debt crises of the present time is the current recession and that recovery is necessary to overcome these crises even though it may not by itself be sufficient in all instances.

76. When international debts cannot be serviced they have to be suitably renegotiated. Declaring a country in default would not improve the situation and might complicate it further. Few of the procedures associated with the default of a commercial borrower are applicable in sovereign lending.

77. Renegotiation is not welcomed by creditors. They tend to oppose even the rescheduling and stretching of debts unless a debt problem has already emerged. Debtors too are reluctant to impair their creditworthiness unless it is necessary.

78. These attitudes are understandable but the present approach is both inequitable and arbitrary. To the extent that renegotiation is prompted by a concern for the stability of the financial system and the risk of extensive bank losses or failures, attention will be focused on the problems of the large debtors which are of financial or strategic interest, and which may then even receive help to get them back on their feet and to resume debt service. Smaller borrowers whose difficulties will not have similar repercussions will not benefit from such solicitous attention. Moreover, as often noted, an ad hoc approach to debt rescheduling penalizes the very prudence that is desired in debt management and rewards the spendthrifts.

79. Procedures for rescheduling official debts have already assumed a certain standard pattern, and a new régime might be said to be emerging for the complex task of rescheduling large volumes of private debt as well, with IMF - and to some extent the Bank for International Settlements (BIS) - playing a leading part.

However, the Committee shares the view that more systematic criteria and practices, including renegotiation when necessary, would be in the interest of both creditors and debtors in the many debt examinations that must be anticipated.

80. Numerous proposals have been made to deal with the existing debt overhangs. They imply consolidation and funding through the conversion of short- and medium-term bank debts into longer-term debt instruments. This can be achieved in many different ways, preferably through the private market itself. The Committee does not think that the limited resources available for official long-term financing should be used in this manner. They are indispensable for the financing of development projects, and it must be hoped that capital flows to developing countries will, in the future, contain a larger share of both private and official long-term credits than in the past decade. Development cannot be financed on overdraft credit. However, if recovery is too long delayed and rescheduling is done at high rates of interest, the need for extensive cancellation will inevitably arise.

4. Improving creditor and debtor information

81. To many developing countries, the access to bank credit in the 1970s offered a welcome escape from dependence on only a few sources of outside financing. The competition among the many banks involved in international lending made for relatively favourable terms in a borrowers' market.

82. In the conditions of the 1980s, individual banks are instead tempted to withdraw from situations which seem risky and from which others are retreating. If a country is expected to run into debt-servicing difficulties, the creditors' collective response is likely to make this a self-fulfilling prophecy even if the debtor's difficulties are of a temporary nature and could be described as a liquidity shortage which should justify an increase rather than a decrease in its borrowing. The situation is highly unstable.

83. International banks are naturally concerned about the difficulties of assessing country risk, all the more so since that risk depends in part on the attitudes of other banks. This is why the initiative to set up an international banking institute to act as a clearing house for information among private banks might well serve a stabilizing function, especially in combination with prompt action by IMF and leaders of bank syndicates to forestall abrupt withdrawals.

84. There is some concern in developing countries that co-operation among creditors will result in cartelization to the detriment of debtor interests. Proposals have been made for the establishment of countervailing debtors' associations, and the case for sharing experiences among debtors is indeed very strong. For many of them borrowing from private banks is still a relatively new practice and they could learn much from other borrowers, both developing and developed.

85. The Committee believes that the mutual suspicion of attempts to raise the level of information among creditors and debtors is misplaced and supports the idea of a debtors' club or institute with the object of sharing market experience.

5. The need for order in world trade

86. Despite frequent and eloquent appeals for a halt to protectionism, the disruption of the trading system has gathered momentum. The limited success of the Ministerial Meeting of GATT in resolving outstanding trade disputes is symptomatic both of the seriousness of the problems confronting the international trade system and of the faltering commitment of global solutions to these problems. The principles laid down in GATT are increasingly violated and trade is restrained by arrangements that evade its articles. The pressure for protection in the industrial market economies is likely to persist for several years, since even a successful promotion of economic recovery will not soon reduce unemployment. In 1982, pressures for protection edged dangerously close to the point of no return from protectionism. In the view of the Committee, overcoming disorder in world trade requires, in the first place, a reversal of the protectionist surge.

87. Special importance attaches to the issues of safeguards and adjustment programmes on which the recent round of multilateral trade negotiations failed to make progress. In times of general and deep recession, when excess capacity prevails throughout the world, it must be expected that Governments are obliged to intervene but it should be in the general interest that such practices are fair and acceptable to all parties rather than bilateral and exclusive. A new safeguard code should probably go considerably further than article XIX of GATT by providing positive guidelines for international co-operation in a state of widespread excess capacity rather than merely restrictions on the resort to emergency measures. In the view of the Committee, the need for a non-discriminatory safeguard code has high priority.

88. At present, the surveillance of restrictive practices and harassment of exports is quite deficient. Greater transparency is often and rightly called for and the Committee believes that the capacity of GATT and of UNCTAD to establish a comprehensive inventory of trade restrictions should be greatly strengthened.

89. The experience of the past decade has abundantly demonstrated the close links between trade and international monetary conditions as, for instance, when misaligned exchange rates disrupt trade flows and provoke trade policy responses. Closer co-operation between IMF and GATT could go some way toward easing these problems. This matter should be on the agenda for the review of the general machinery of international economic co-operation, to which the Committee now turns.

6. Review and reform of the international system for co-operation in trade, money and finance

90. Renewed expansion of the international economy in the remaining decades of the present century requires an overhaul of the machinery for international co-operation that has so far served the post-war world. The present crisis has strengthened the Committee's conviction that a review of the present arrangements is called for, although the Committee does not underestimate the difficulties involved in such an undertaking.

91. The Bretton Woods institutions are now almost 40 years old. The monetary system for which the IMF was designed no longer exists, and in many other respects as well the Bretton Woods institutions no longer reflect contemporary realities.

There are, of course, critical differences between the present situation and that which prevailed when these institutions were designed. At that time, a relatively small number of negotiators had fairly clear and convincing ideas of the fundamental principles on which they wanted the international economy to be organized, and a small number of influential countries were able, relatively quickly, to negotiate the new structures. Even so, the task was not easy, the ambition to create truly universal organizations was not fulfilled, and the International Trade Organization, intended as a complement to the two Bretton Woods institutions, was abandoned.

92. At the present time, there is more certainty about what has not worked than about what will. Centres of economic power are more numerous and far more diverse. In spite of the dissatisfaction expressed with the existing situation, the design of a new monetary system which would work better than those of the past and satisfy the demands and expectations of all parties is not yet in sight.

93. The systems for international co-operation in trade, money and finance have proved so inextricably interrelated that it would be futile to try to separate them. The Committee has considered the proposals for a conference on the longer-term issues in these areas, looking to the needs of the world economy in the remaining decades of the present century and bearing in mind the need for stability, equity and world development. The Committee believes that there is justification for such a conference but that it would be futile to convene it without an extensive exploratory review of the issues and of the likelihood of securing sufficient agreement on new arrangements.

94. The Committee therefore proposes that an ad hoc group should be established under the auspices of the United Nations, composed of high-level experts from its concerned agencies and bodies, particularly IMF and the World Bank, UNCTAD and GATT, as well as independent personalities with extensive experience of the issues involved. This group should examine the full range of existing proposals for reform and consult all relevant parties and should also consider possible modalities for the negotiation of change, recognizing the wide diversity of interests and needs in the contemporary world community. Its agenda should cover the exchange rate system, the provision of international liquidity, the interrelationship between trade, investment and monetary policies, the institutional needs in the field of international finance, the need for a strong development orientation of the arrangements, and more power sharing in international institutions.

95. The Committee notes that the sixth session of the United Nations Conference on Trade and Development is itself an international conference at which measures for improvement of the international system will be discussed, and that it will offer an opportunity for a preliminary exchange of views on proposals for a comprehensive international conference on the long-term need for reform. The Committee hopes that it will prove possible to proceed to the necessary preparations without much delay.

7. Co-operation, disarmament and development

96. All proposals to speed recovery in the world economy and to lessen the prevailing disorder depend on the will of Governments to join in common undertakings because they see them as being in their common interest. However, in the present climate of economic distress and strain, political tensions between countries are also exacerbated. Co-operation is more difficult precisely at the time when it is most needed. The longer that world economic conditions are allowed to deteriorate, the harder it will be to muster the political ability to remedy the situation. It has often been seen that warnings of future dangers are not enough to drive individuals or countries to combined efforts to forestall them; only the onset of a genuine crisis creates the awareness of a common cause. The Committee finds the evidence of deep crisis and mounting disorder so compelling today that all Governments must respond with vision and urgency to new initiatives for collaboration.

97. Nowhere is the deterioration of international relations clearer than in the continuing increase in armaments and military expenditure. Besides the appalling threat to world security and survival that it poses, its grotesque cost is a major obstacle to recovery and development.

98. The world's expenditure on arms - over \$US 650 billion in 1982 - is greater than the combined incomes of well over two billion people living in the world's 50 poorest countries. It is an illustration of the magnitudes involved that a mere 2 per cent of the defence budget of the United States equals its whole aid programme. Military expenditures thus contribute importantly to the budgetary deficits that compel some Governments to limit their development aid and that drive up interest rates, spur inflation and thus stand in the way of recovery. In the developing countries, the acquisition of modern and sophisticated arms is a heavy drain on their resources and opens the door to new and dangerous forms of dependence. Progress towards the goal of disarmament is essential to a relaxation of international tension and it would at the same time be a great economic relief. The resources released would assist the economic and social advancement of all nations and would contribute to bridging the gap between developed and developing countries.

C. Development strategies for greater autonomy

1. The cost of dependence

99. In many developing countries, it has long been argued that their participation in the world economy makes them too vulnerable to forces beyond their control. On the other hand, international trade is indispensable to them and has at times brought them great gains.

100. The conflict is not unique to developing countries: it is felt by all States that have been linked together by economic ties which reduce their autonomy in setting their goals.

101. However, the proposals for a New International Economic Order which have now been on the international agenda for a decade have been aimed at enlarging rather than limiting the links between the developed and developing countries, while seeking to make them more equitable and mutually acceptable.

102. It is natural that the state of economic emergency currently prevailing in many developing countries should lead to renewed questioning of development strategies which expose whole continents to convulsive contraction whenever the industrialized North suffers a recession. Moreover, it has long been argued that development strategies in many countries have failed to alleviate poverty.

103. The Committee has, in 1983, devoted special attention to patterns and styles of development, in the light of the present crisis and of the general prospects of the world economy. A working group met and prepared a report for the Committee.

104. Viewed from the South, most of the developed market economies have shown an alarming inability to govern and control their own economies. They have patently failed to meet their own objectives of controlling inflation and maintaining high levels of employment, and this has had devastating effects for the rest of the world. In recession they have failed to live up to the standards of free and open trade that they have so often urged upon the rest of the world.

105. The prospects for the future are not encouraging. There is genuine risk of "stop-and-go" policies which will obstruct a sustained and vigorous recovery in their economies. Even if recovery were achieved, the recurrence of a contraction of the present severity could not be excluded, considering the indifference with which the present plight of the developing countries is regarded.

106. The developing countries are thus forced to mould their development strategies in a manner that makes possible a more selective interdependence, allowing for the fullest participation in the international division of labour but retaining the freedom of manoeuvre that is indispensable in a precarious world economy.

2. Options for control and leverage

107. The developing countries cannot afford to seek autonomy by breaking all external links, nor would they wish to be excluded from the spread of desirable international values and cultural exchange, even while resisting the powerful forces of cultural domination. Modern systems of communication and the force of example of the standard of living in industrialized countries make it impossible to achieve development in isolation. However, experience suggests a number of ways in which they can strengthen their autonomy and derive greater benefit from international trade and investment.

108. There are many ways in which developing countries can increase their leverage in international economic relations and their bargaining strength. This is largely a matter of developing and exercising their powers of control over critical aspects of their economic life. In many fields, concerted and collective action is necessary to bring about effective results.

109. Among the instruments of leverage of particular importance is the control of certain key resources such as (a) technology, (b) financial resources, (c) markets, (d) non-renewable resources and (e) access to manpower. These resources tend to determine bargaining strength in international economic relations. Here it is only possible to give a few illustrations of their possible uses.

110. Control of technology is the cornerstone of the international power structure at the present time. Technology shapes the international distribution of income. The industrialization of the developing countries has failed to create an international market for technology or to develop an effective system for the transfer and development of technology. On the other hand, technological dominance tends to increase as the network of interests of transnational corporations becomes more tightly knit.

111. The technological transformation of the developing countries requires a strategy in which the strengthening of the educational system and the development of basic scientific capability are essential. It is also necessary to check the brain drain from developing countries which frequently nullifies efforts to raise the level of scientific competence.

112. An appropriate network of financial institutions is indispensable for leverage in international economic relations. Experience has shown that foreign companies operating in the developing countries raise a large part of their funds locally and that the credits obtained from international financial markets frequently have the guarantees of local financial institutions. Recent experience has shown how a substantial balance-of-payments surplus in the OPEC member countries sustained a whole new area of financial co-operation. For the first time, the developing countries found it possible to promote major projects of common interest without being subject to the influence of the developed countries or the international financial institutions. All such opportunities strengthen the capabilities of the developing countries to pursue autonomous policies.

113. The control of access to domestic markets is a traditional source of leverage in international relations. South-South co-operation, which permits the enlargement of the markets of developing countries, enhances their bargaining strength. The importance of non-renewable resources needs little comment. The locating of their processing in developing countries is not only a natural avenue of development on economic grounds but is also a way to raise market power. In the present race among transnational companies for strategic positions in the world, access to manpower in the developing countries which have low labour costs is of great interest, and even the poverty of the developing countries, which has traditionally been a source of weakness, can be a source of leverage and influence.

114. These forms of leverage have always been used but rarely in a deliberate and co-ordinated manner with the explicit aim of reducing the burden of dependency and enlarging the freedom of manoeuvre: this now becomes crucial.

115. The challenge is to create forms of collective will in the developing countries, since only in this way will it be possible to activate their potential leverage.

3. South-South co-operation

116. Economic co-operation among developing countries has been attempted in many forms. As the Committee has noted in previous examinations, many ambitious schemes have failed and although striking gains have been made on some fronts, the record has at times seemed discouraging.

117. However, in the present situation there is a renewed interest in South-South co-operation. The North is no longer the engine of growth that it once was, and the potential for a division of labour among the developing countries is growing as a result of the progressive diversification of their economies. By means of co-operation they can also increase their leverage in international relations.

118. The Committee will limit itself to a few observations on some opportunities of special interest. Thus, the promotion of trade among the developing countries seems to hold special promise in reciprocal intra-industry trade which combines gains from trade with economies of scale. Agreements to allocate new industries in accordance with a reasonable pattern of allocation have been found to require very close co-ordination and have, on the whole, not worked very well in the past. However, they are necessary, and can be implemented simply by lifting import restrictions only for the country to which the product in question has been assigned and by sharing the cost of protection of infant industries.

119. The choice of sectors in which to concentrate investment and industrial infrastructure is quite crucial. The number of industries and products allocated among participants should continue to be limited.

120. The promotion of reciprocal trade flows among developing countries requires finance. Continued and enlarged access to international financial markets will be important. However, above all, regional and subregional financial institutions have a great responsibility in the financing of trade expansion. They should also make it possible to arrange multilateral bond flotations and bank borrowing by groups of developing countries which pool the risks.

121. The North stands to gain from successful co-operation among developing countries. The selective promotion of reciprocal trade would give rise to occasional conflicts of interest in specific sectors, but the feedback effects from the development of the South should benefit the growth of the North. In addition, the elimination of the syndrome of financial collapse in the South should reduce the North's fears of recession.

122. In payments unions, members pool part of their foreign reserves and settle mutual transactions with minimal use of outside currencies. Such arrangements remove some of the foreign exchange constraints on mutual trade. Payments unions have been among the more successful forms of co-operation when the potential for trade exists. In view of the current foreign exchange shortages, they have renewed appeal.

123. The Committee remains convinced of the large potential gains to be derived from closer co-operation in trade and finance among developing countries but is inclined to believe that the realization of such schemes requires the establishment of an agency which could help to focus and align the interests of developing countries. A third world secretariat is necessary for the exacting task of building a structure of co-operation among developing countries and it would also fill an important function in serving the group of developing countries in international negotiations.

111. IDENTIFICATION OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

124. In its decision 1982/106 of 4 February 1982, the Economic and Social Council requested the Committee for Development Planning, in the light of new data and information to be provided by the Governments concerned, to consider, on the basis of existing criteria, the eligibility of a number of countries, including Liberia, for inclusion in the list of the least developed countries. This information was supplied by the Government of Liberia for consideration by the Committee at its nineteenth session.

125. Following previous practice, the Secretariat provided the Committee with the data needed to update the per capita gross domestic product (GDP) criterion for changes in prices and the real growth of per capita GDP in world market economies. The adjusted lower and upper cut-off points of the per capita GDP criterion were found to be \$US 323 and \$US 387 for the period 1978-1980.

126. The Secretariat also supplied the Committee with the most recent available data on per capita GDP, the share of manufacturing output in total GDP, and the rate of adult literacy for the country concerned. This information had been collected from various organizations of the United Nations system. The Secretariat also provided the Committee with information supplied by the country concerned.

127. After careful consideration, the Committee concludes that Liberia is not eligible for inclusion in the list of least developed countries on the basis of the existing criteria and in the light of the data presented.

128. The Committee notes that the General Assembly, in resolution 35/106 of 5 December 1980, had decided that the exercise regarding the determination of the least developed countries by the Committee for Development Planning should be without prejudice to any future overall review of the list of the least developed countries which may be authorized at a later date by the General Assembly according to established procedures.

129. The Committee considers the time has long since come to undertake such an overall review and reiterates the opinion expressed in its previous report that "the criteria used for the identification of the least developed countries deserve to be reappraised". It also expresses the view that no useful purpose would be served by reference to the Committee of further cases of countries to be considered for identification as least developed countries under the existing criteria.

IV. ARRANGEMENTS FOR FUTURE WORK

130. In accordance with General Assembly resolution 37/202 of 20 December 1982, entitled "Review and appraisal of the implementation of the International Development Strategy for the Third United Nations Development Decade", the Committee proposes to examine at its twentieth session the state of world development and to focus on the critical problems hampering progress in the implementation of the Strategy, particularly those issues on which negotiations have stalled.

131. Within the resources available to it, the Committee proposes to convene a working group of 12 members for five days in early December 1983, in New York, in order to assess the progress made and identify the factors responsible for the shortfalls in the implementation of the Strategy. In carrying out its task, the group should place primary emphasis on policy implementation, both at the national and international levels, rather than concentrating merely on quantitative targets (as has been done in the past). The group may wish to devote particular attention to a few areas of special concern relating to the implementation of the Strategy, such as science and technology, industrialization, and international trade, monetary and financial issues. It may also wish to concern itself with the future impact of trends in these areas, particularly as they affect the development process. The group may also consider relevant aspects of the process of international economic negotiation, as well as the underlying interests that shape policies and development assistance efforts and the development assistance efforts in developed countries with a view to identifying promising new areas for international policy action.

132. The Committee notes that a number of organizations of the United Nations system are undertaking work on the review and appraisal of the Strategy and that the ACC Task Force on Long-Term Development Objectives will attempt to integrate and synthesize their work. The Committee requests that the report of the Task Force as well as other relevant documentation, be made available to the working group.

133. The Committee feels that the arrangements regarding its work procedures initiated in 1982 worked well and should be continued. In addition, there is a need to promote greater interaction with governmental bodies and to give particular attention to the dissemination of the Committee's recommendations. In 1982, the Committee's report was introduced to the Economic and Social Council by the Chairman of the Committee and it was discussed with delegations by the Chairman and Rapporteur. The Committee requests that this practice be continued, within available budgetary resources.

V. ORGANIZATION OF THE SESSION

134. The Committee for Development Planning held its nineteenth session at United Nations Headquarters, from 18 to 27 April 1983. Twenty members of the Committee attended the session: Ismail-Sabri ABDALLA, Khatijah AHMAD, Maria AUGUSZTINOVICS, H. C. BOS, Robert CASSEN, William G. DEMAS, José ENCARNACION, Jr., Celso FURTADO, Shinichi ICHIMURA, V. N. KIRICHENKO, John P. LEWIS, Li Zong, Gabriel MIGNOT, J. M. MWANZA, Joseph Elenga NGAPORO, G. O. NWANKWO, Goran OHLIN, Josef PAJESTKA, I. G. PATEL, and Germánico SALGADO. Three members were unable to attend: Abdlatif Y. AL-HAMAD, R. K. A. GARDINER, and Leopoldo SOLIS. */

135. The officers of the Committee, elected at the seventeenth and eighteenth sessions for the term ending on 31 December 1983, are:

Chairman: William G. Demas
Vice Chairman: Maria Augusztinovics
Rapporteur: Goran Ohlin

136. The Committee was informed of the resignation of Gerhard Fels, and wished to express its deep appreciation for the contribution he made during the period he served as a member of the Committee.

137. The Committee's deliberations were facilitated by the reports of its two Working Groups. 5/ The Working Group on Development Prospects, which met at Geneva from 1 to 5 November 1982, was comprised of H. C. Bos (Chairman), Goran Ohlin (Rapporteur), Maria Augusztinovics, José Encarnación, Shinichi Ichimura and the following co-opted members: J. H. Frimpong-Ansah (Ghana), V. B. Kadam (India) and J. E. Navarrete (Mexico). The Working Group on Development Patterns and Styles in the Context of Longer-Term World Economic Prospects, which met at Santiago from 10 to 14 January 1983, was comprised of Josef Pajestka (Chairman), Gabriel Mignot (Vice-Chairman), Celso Furtado (Rapporteur), Li Zong and Frances Stewart (United Kingdom of Great Britain and Northern Ireland), as a co-opted member. Raul Prebisch attended as a special guest of the group. The group also benefited from the participation of Ricardo Ffrench-Davis of the Corporación de Investigaciones Económicas para Latino América (CIEPLAN).

*/ Substantive services for the session were provided by the Department of International Economic and Social Affairs of the United Nations Secretariat. The Committee was also assisted by representatives of the Office of the Director-General for Development and International Co-operation, the Department of Technical Co-operation for Development, the Economic Commission for Africa, the Economic Commission for Europe, the Economic Commission for Latin America, the Economic Commission for Western Asia, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the United Nations Development Programme, the World Food Council, the International Labour Organisation, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization, the World Bank, the International Monetary Fund, the Organization for Economic Co-operation and Development, the Commission of the European Communities and the Group of 77 in New York. The agenda adopted by the Committee and a list of background documents for the session are contained in annexes I and II to the present report.

138. The Committee's deliberations were also facilitated by the working document prepared by the Rapporteur of the Committee on the basis of the working group's reports and guidelines, which was worked out at a meeting of the chairman and rapporteurs of the two working groups, held at Geneva on 27 and 28 February 1983.

139. The Committee's nineteenth session was opened with a statement by the Under-Secretary-General for International Economic and Social Affairs. Under agenda item 4, entitled "The need for initiatives in international co-operation for development", the Committee was addressed by the Director General for Development and International Economic Co-operation.

Notes

1/ World Economic Survey, 1983 (to be issued as a United Nations publication).

2/ Ibid., chap. 2.

3/ World Economic Recovery: The Priority of International Monetary and Financial Co-operation, Views and recommendations of the Committee for Development Planning (United Nations publication, Sales No. E.82.II.C.3); Sidney Dell, "The case for a world recovery programme", Journal of Development Planning, No. 14 (United Nations publication, to be issued); C. Fred Bergsten et. al., "Promoting world recovery" (statement by 26 economists issued by the Institute for International Economics, Washington, D.C., December 1982); Helmut Schmidt, "The world economy at stake", The Economist (26 February 1982); and Common Crisis, North-South: Co-operation for World Recovery; The Brandt Commission, 1983 (London, Pan Books Ltd., 1983).

4/ Common Crisis, North-South: Co-operation for World Recovery; The Brandt Commission, 1983 (London, Pan Books Ltd., 1983).

5/ "Recovery and development" (E/AC.54/1983/L.1) and "Reactivation and structural change" (E/AC.54/1983/L.2).

Annex

AGEN DA

1. Adoption of agenda
2. Prospects and policies for sustained recovery and restoration of development
3. Options for the developing countries
4. The need for initiatives in international co-operation for development
 - (a) International monetary and financial system, including debt renegotiation
 - (b) Trade and primary commodities
5. Identification of the least developed among the developing countries
6. Future programme of work
7. Adoption of the report of the Committee to the Economic and Social Council

ANNEX II

LIST OF DOCUMENTS

<u>Document symbol</u>	<u>Agenda item</u>	<u>Title</u>
<u>Documents of the Committee</u>		
E/AC.54/1983/L.1	2	Recovery and Development: report of the Working Group on Development Prospects
E/AC.54/1983/L.2	3	Reactivation and structural change: Report of the Working Group on Development Patterns and Styles in the Context of Longer-Term World Economic Prospects
E/AC.54/1983/L.4	5	Identification of the least among the developing countries: case of Liberia: note by the Secretariat
E/1983/42	2	"Elusive world recovery", <u>World Economic Survey, 1983, chap. I</u>

Policy papers prepared by the UNCTAD secretariat
and submitted to the sixth session of the United
Nations Conference on Trade and Development

TD/272	2	World economic crisis and the perspectives for the 1980s, (item 8 of the provisional agenda)
TD/273	4	Commodity issues: a review and proposals for further action, (item 9 of the provisional agenda)
TD/274	4	Protectionism, trade relations and structural adjustment, (item 10 of the provisional agenda)
TD/275	4	International financial and monetary issues, (item 11 of the provisional agenda)

<u>Document symbol</u>	<u>Agenda item</u>	<u>Title</u>
TD/277	3	A strategy for the technological transformation of developing countries, (item 13 (a) of the provisional agenda)
TD/281	3	ECDC: review of activities and proposals for future work, (item 13 (e) of the provisional agenda)
<u>Other documents</u>		
-	2	Report of the ACC Task Force on Long-Term Development Objectives on its eleventh session
<u>Conference Room Papers</u>		
CRP/2.1	2	Sidney Dell, "The case for world economic recovery", (to be published in <u>Journal of Development Planning</u> , No. 14)
CRP/2.2	2	Frances Stewart, "Inflation and recovery", January 1983, to be published in <u>Journal of Development Planning</u> , No. 14)
CRP/2.3	2	C. Fred Bergsten <u>et al.</u> "Promoting world recovery", December 1982 (statement by 26 economists issued by the Institute for International Economics)
CRP/2.4	2	Helmut Schmidt, "The world economy at stake", <u>The Economist</u> (26 February 1983)
CRP/2.5	2	"World economic outlook 1983-1985" (results of the Project Link meeting, March 1983)
CRP/3.1	3	G. K. Helleiner, "South-South economic co-operation in the 1980s", November 1982 (to be published in <u>Journal of Development Planning</u> , No. 16)

<u>Document symbol</u>	<u>Agenda item</u>	<u>Title</u>
CRP/3.2	3	K. N. Raj, "From global financial hegemony towards a decentralized reserve system", January 1982 (paper prepared for the South-South Conference, Beijing, 4-7 April 1983)
CRP/3.3	3	Ismail Sabri-Abdalla, "Towards third world collective self reliance", December 1982
CRP/3.4	3	Frances Stewart, "Creating a new money for the third world" (to be published in <u>South</u> , May 1983)
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