



UNITED NATIONS
GENERAL
ASSEMBLY



Distr.
GENERAL

A/34/596
23 October 1979

ORIGINAL: ENGLISH

Thirty-fourth session
Agenda item 55 (f)

DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION

Preparations for the special session of the General Assembly in 1980

Note by the Secretary-General

1. In its resolution 33/198 of 29 January 1979, the General Assembly requested the Secretary-General to entrust the Director-General for Development and International Economic Co-operation with the task "of preparing ... an analytical report on developments in the field of international economic co-operation towards the establishment of the new international economic order since the sixth special session". In the same resolution, the General Assembly further requested the Secretary-General "to submit the preliminary version of the report to the General Assembly at its thirty-fourth session through the Economic and Social Council at its second regular session of 1979".
2. In response to the latter request, the preliminary version of the analytical report, as prepared by the Director-General, is submitted herewith.

ANNEX

Preliminary version of the analytical report prepared by the
Director-General for Development and International Economic
Co-operation pursuant to General Assembly resolution 33/198

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. INTRODUCTION	1 - 16	3
II. PRIMARY COMMODITIES	17 - 39	8
A. The problem of primary commodities	17 - 23	8
B. Food security and trade	24 - 27	9
C. Rational use of natural resources	28 - 39	10
1. Marine resources	31 - 36	10
(a) Marine resources under international jurisdiction	31 - 34	10
(b) Marine resources under national jurisdiction	35 - 36	11
2. Energy	37 - 39	11
III. INTERNATIONAL MONETARY AND FINANCIAL ISSUES	40 - 49	12
IV. INDUSTRIALIZATION AND TRADE IN MANUFACTURED PRODUCTS . .	50 - 53	13
V. TRANSNATIONAL CORPORATIONS AND OTHER BUSINESS ENTERPRISES	54 - 57	14
VI. SCIENCE AND TECHNOLOGY	58 - 61	15
VII. TRANSPORT AND INSURANCE	62 - 64	17
VIII. CO-OPERATION AMONG DEVELOPING COUNTRIES	65 - 67	17
IX. PARTICULARLY DISADVANTAGED COUNTRIES	68 - 70	18
X. CO-OPERATION AMONG COUNTRIES WITH DIFFERENT SOCIAL AND ECONOMIC SYSTEMS	71 - 73	19

/...

CONTENTS (continued)

	<u>Paragraphs</u>	<u>Page</u>
XI. MOBILIZATION OF DOMESTIC RESOURCES	74 - 87	20
A. Food and agriculture, including the financial and domestic policy requirements for accelerated growth and the environmental aspects of the problem		22
B. Health and nutrition, including food distribution, primary health care and drinking water		22
C. Education, including literacy and the training of qualified national personnel		22
D. Employment and rural development		23
E. The participation of women, youth and other disadvantaged groups		23
F. Human settlements and physical infrastructure, including the question of the Transport and Communications Decade in Africa		23
G. Institutional developments		23
H. Population policy		23
XII. STRENGTHENING THE ROLE OF THE UNITED NATIONS SYSTEM . .	88 - 92	24
XIII. CONCLUSIONS	93	25

I. INTRODUCTION

1. In its resolution 33/198 of 29 January 1979, the General Assembly called for the preparation of an "analytical report on developments in the field of international economic co-operation towards the establishment of the new international economic order since the sixth special session", in order to facilitate the assessment at its 1980 special session of the progress made in that direction and in order, on the basis of that assessment, to take appropriate action both for the promotion of the development of developing countries and for international economic co-operation. In the same resolution, the Assembly requested that a preliminary version of the report be submitted to its thirty-fourth session through the Economic and Social Council.

2. The present document is submitted in response to the latter request for a preliminary version of the report and is intended to be read in conjunction with the interim reports which the governing bodies of the organs and organizations concerned within the United Nations system have been asked to present to the General Assembly at its thirty-fourth session on the progress made towards, and the obstacles impeding, the establishment of the new international economic order. In the expectation that the General Assembly will wish to provide guidance regarding the conceptual and policy issues outlined below, which would be involved in the preparation of the final version of the report, the present document attempts to provide a synoptic view of the possible scope and content of that report.

3. The preparation of the analytical report poses at least three issues. In the first place, the question arises as to the coverage of the new international economic order. While resolution 3362 (S-VII) adopted by the General Assembly at its seventh special session describes the Declaration and the Programme of Action on the Establishment of a New International Economic Order, contained in resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, as well as the Charter of Economic Rights and Duties of States, contained in resolution 3281 (XXIX) of 12 December 1974, as constituting "the foundations of the new international economic order", no definitive text exists specifying in detail the elements of the new international economic order. Furthermore, international economic co-operation covers a wider field than the issues specifically addressed in the documents just mentioned. It is accordingly necessary to arrive at a judgement regarding the scope of the report, and, moreover, on how the various elements of the new international economic order, that have thus far been identified, are to be ordered and related to each other. The method that it is proposed to follow is to take as the basic text the Declaration on the Establishment of the New International Economic Order, and as central elements the components of the Programme of Action on the Establishment of the New International Economic Order, the Charter on Economic Rights and Duties of States and the resolution on development and international economic co-operation adopted by the General Assembly at its seventh special session.

4. It is also intended to cover a number of facets of social development involving the major dimensions of the mobilization of domestic resources, many of which have commanded considerable attention by Governments, particularly in the organs and programmes of the United Nations itself as well as in the specialized agencies, and are related to the aims and objectives of the new international economic order. The aim is to place these dimensions in the perspective of the new international economic order by relating them to the basic philosophy set out in the Declaration, and on that basis to link them together and to the central issues. Thus for instance, the important question of food production may be seen to straddle the central issues of the new international economic order, which relate essentially to the restructuring of international economic relationships, and other elements which include related questions of nutrition, health, and so forth, and are concerned principally with restructuring at the national level.

5. Second, the reference in General Assembly resolution 33/198 to "developments in the field of international economic co-operation" calls for interpretation. It is intended to limit the scope of the report, as far as possible, to discussions, deliberations, negotiations and decisions of a global nature at the intergovernmental level within the United Nations system. This implies excluding developments in bilateral regional or interregional relations outside the United Nations system. It also involves giving only cursory treatment to the operational activities of the United Nations system for development, policy issues in regard to which are in any event the subject of a separate report to be submitted to the General Assembly early next year, pursuant to its resolution 33/201, through the Economic and Social Council. However, exceptions will be made when required, for example regarding economic co-operation among developing countries or areas of technical co-operation where close interagency co-operation involving wide-ranging and multidisciplinary action is especially important to meet the needs of developing countries. Another question requiring consideration relates to the coverage to be given in the report to the field of communication, recent discussions in regard to which have highlighted the interrelationships between the establishment of a new communications and information order and the objectives of the new international economic order.

6. Third, the question arises as to the meaning to be given to the term "analytical report". In order, however, to provide a clear appreciation of the problem, it may be useful at the outset to indicate the essential features of the new international economic order.

7. The adoption of the Declaration and the Programme of Action on the Establishment of a New International Economic Order by the General Assembly at its sixth special session in 1974, which was the first devoted to development, constitutes a major landmark in the history of international economic relations. The goal of the new international economic order embraces, summarily speaking, both certain ends and certain means to these ends. The principal end is to enable the international economic system to operate in a manner that is far more equitable as well as efficient, and far more supportive than is presently the case of the development efforts of the developing countries. For in essence, the Declaration issued a call for a departure from the uneven pattern of international

/...

economic relations and development of the past, which were marked by inequities and injustices. These patterns had been fashioned to serve the interests of the developed countries, with the benefits to the developing countries arising chiefly as a by-product. They tended to perpetuate a relationship of domination by the former over the latter group of countries and to generate permanent disequilibrium and the inefficient use of resources. As a result, an international economic order emerged that was in direct conflict with current developments in international political and economic relations. Since the beginning of the decade, the grave crisis that the world economy has been undergoing has had severe repercussions on the developing countries because of their vulnerability to external economic impulses. In the meantime, however, irreversible changes in the relationship of forces made the developing world a powerful factor, necessitating its active, full and equal participation in the formulation and application of all decisions that concern the international community, and giving rise to an urgent necessity for far-reaching changes in key international economic structures and institutions.

8. These objectives are tantamount to the elimination of the present state of dependence of developing countries which manifests itself in a variety of ways. In terms of the philosophy of the new international economic order, the economic and social development of the developing countries must no longer remain the casual by-product of economic activity in the developed world. Thus, it is not sufficient merely to consider economic recovery and expansion in the developed world as the sole means for accomplishing the development of the third world, although the facts of global economic interdependence make it an important condition over the near term. The fundamental requirement is to bring about structural changes which would vastly enhance the capacity of developing countries for self-sustained, as contrasted with dependent, development.

9. Linked to the goal of progressively eliminating economic dependence in this sense is that of eliminating the more general and pervasive reality of dependence which flows quite simply from the difference in the degree of economic power as between developed and developing countries. In this sense, action by the developing countries to achieve a significantly greater measure of national and collective self-reliance, not conceived in any autarkic sense but as a way of redressing an imbalance in bargaining strength, is also an essential attribute of the new international economic order; for it necessarily enlarges the capacity of developing countries to fashion independent policies in terms of their own national priorities. In addition, collective self-reliance is in itself an important means of mobilizing under-utilized resources in the developing countries and of exploiting the latent complementarities inherent in their differing capacities and development situations.

10. The means towards these ends comprise fundamental changes across the broad spectrum of relationships between developed and developing countries. These changes include, in particular, changes in the structure of global production, consumption and trade, progressively transforming the economies of developing countries from their present dependence on primary production and giving them

/...

a substantial share in world industry and trade in industrial products; measures to ensure their technological autonomy; measures to assure their maximum benefits from the operations of transnational corporations; measures to ensure the exercise by developing countries of full and effective control over the use of their natural resources; and measures to give these countries a truly effective voice in international decision-making processes with a corresponding restructuring of the existing framework governing the flows of trade, technology, money and finance.

11. The multiplicity of ends and means that comprise the new international economic order crucially determines the nature of the analytical report required by the General Assembly resolution. The goals of the new international economic order as outlined above call for a continuing endeavour of the international community and entail a complex process of elaboration, refinement, negotiation and implementation which could not have reached an advanced stage in the period since the sixth special session. Thus, the entire focus of the 1980 special session will be on the measures and process required to achieve these goals during the decade of the 1980s. Nevertheless, since the basic documents concerning the new international economic order have specified certain means which the international community was already committed to adopt by way of moving towards these goals, the first task of the analytical report will be to ascertain to what extent the necessary steps have in fact been taken or even attempted.

12. In the light of these considerations, it is intended that the first task of the final version of the analytical report will be to analyse developments with a view to identifying areas where concrete progress in implementing the new international economic order has been achieved and to assess the significance of the results; areas where some progress has been made, but falls short of concrete agreement, and to assess what promise they hold for the future; and areas where action has been absent, and to assess the obstacles to action. Accordingly, each chapter of the analytical report will include a statement of the implications of the new international economic order in the relevant context and a review of the specific steps adopted in that direction. The present preliminary report is primarily addressed, among others, to the first of these aspects.

13. The second task of the final version of the analytical report follows directly from the first, and will focus on the very substantial nature of the changes that remain to be made for implementing the goals of the new international economic order. The process is not a simple subtraction, from a list of objectives that the international community has undertaken to achieve, of what has so far been accomplished. What is involved rather is an analysis of the means that may, in the light of the changing global economic situation, be appropriate for consideration, with a view to attaining the goals of the new international economic order, in addition to or elaboration of the mechanisms spelt out in 1974. In other words, a central task of the final report will be to supplement the review of developments since the sixth special session with specific suggestions on policy options and processes for implementing the new international economic order which would inevitably take those developments into account. The present

/...

preliminary version merely indicates the direction that the analytical report will take in that regard, without anticipating its conclusions.

14. In the light of this discussion of the tasks expected of the analytical report, the introductory chapter will adhere to the following format. This chapter will, first, place the new international economic order in historical perspective, and will review the characteristic features of the process of uneven development, including its structural and institutional features, and their impact on the international economic relations and development of developing countries. This will be followed by a second section which will contain an analysis of the principal components of the new international economic order, including the basic philosophy contained in the Declaration and the central recommendations of the Programme of Action. A third section will examine the elaborations of these principal components made in the Charter of Economic Rights and Duties of States and the resolution on development and international economic co-operation adopted at the seventh special session, as well as those made subsequently by the General Assembly and its subsidiary organs and programmes, and by specialized agencies. The fourth section will analyse, in the context of the new international economic order, extensions and additions in related areas, particularly those relating to the mobilization of domestic resources. The fifth section assesses the broad lines of development of the concept of the new international economic order. The sixth section will review and analyse trends in the world economy against the background of the aims and objectives of the new international economic order and delineate the areas of common ground between the needs of the new international economic order, on the one hand, and the requirements for economic recovery in the developed countries, on the other.

15. The main chapters of the report will define the issues involved in terms of themes which typically cut across the programmes and institutions of the United Nations system. This approach is reflected in the selection of chapter headings shown in the table of contents of the present document, in relation to the developments to be analysed. The analysis itself will be so organized as to meet the requirements of the two tasks indicated above. A concluding chapter will summarize the salient features of the policy options and processes outlined elsewhere in the report, and assess the degree of mutuality of interests between the two groups of countries.

16. It may be mentioned, in conclusion, that in the preparation of the present document, account has been taken of the views and contributions received from the various organizations of the United Nations system inasmuch as they pertain to its purposes, as described above, and bearing in mind that these organizations place differing emphases on a number of the substantive issues dealt with. It is intended that the preparation of the final version of the analytical report to be submitted to the 1980 special session of the General Assembly will involve a greater measure of consultation with these organizations, and the fuller use of their contributions, than has been possible in the present instance.

II. PRIMARY COMMODITIES

A. The problem of primary commodities

17. The pattern of expansion of the international economy in the past has led to a high degree of reliance by developing countries on the export of primary commodities, with little domestic processing of raw materials, and a high degree of vulnerability to fluctuations in prices. This situation is reinforced by the structure of the world commodity economy including the continuing importance of the role played by transnational corporations in production, processing, distribution and marketing, and by the import restrictions of developed countries. As a result, the growth and diversification of developing countries is inhibited, and these countries are made unduly dependent on external economic circumstances. A transformation of the world commodity economy designed to stabilize and strengthen commodity markets, to expand the processing of primary products in developing countries, and enhance the participation of those countries in the marketing and distribution of their commodities, is thus an essential component of the New International Economic Order.

18. Producers' associations can contribute to such a transformation, and in maintaining an equitable balance between prices of raw materials and manufactured products. They can do this directly, and by stimulating mutually beneficial agreements between consumers and producers.

19. The importance of the commodity problem to the New International Economic Order is reflected in section I of the Programme of Action (resolution 3202 (S-VI)), in Article 5 of the Charter on the Economic Rights and Duties of States, and in section I of resolution 3362 (S-VII).

20. Following the sixth and seventh special sessions, negotiations began in UNCTAD on the Integrated Programme for Commodities. The Integrated Programme envisages the conclusion of a range of commodity agreements, for which an indicative list of 18 commodities has been drawn up. The centre-piece of the Programme is the Common Fund which was designed to play a catalytic role in facilitating the negotiations of many more commodity agreements than would be possible without it. The rationale for this is that in the absence of a suitable Common Fund, the balance of bargaining strength between producing and consuming countries cannot be sufficiently equitable to enable the conclusion of a wide range of commodity agreements satisfactory to both parties. It was also an essential objective of the Common Fund to provide financing for diversification through its "second window".

21. Another basic component of the Integrated Programme is measures required for the further processing and marketing of primary products, including the reduction of tariff and non-tariff barriers which impair the profitability of locating processing industries in the developing countries.

22. The establishment of a suitable Common Fund and the conclusion of the commodity agreements envisaged in the Integrated Programme will not altogether remove the problem of fluctuations in earnings from the export of primary commodities, particularly commodities that cannot be stocked. It is therefore envisaged that facilities for compensating developing countries for shortfalls in their commodity earnings should be substantially improved.

23. This chapter will review developments regarding trade in raw materials and primary commodities, particularly those in UNCTAD in connexion with the Integrated Programme. It will focus on the Common Fund; commodity agreements; processing, distribution and marketing; and compensatory financing. It will also review the GATT multilateral trade negotiations connected with trade in primary products, and developments regarding Producers Associations.

B. Food security and trade

24. Imports of food, grains in particular, account for a critically important portion of total supplies in developing countries. A significant portion of the food imports of the poorest developing countries takes the form of food aid, while commercial imports represent an important claim on total foreign earnings for many developing countries. Consequently, the relative price inelasticity of the demand of developing countries for food imports, taken together with the fact that production, both domestic and foreign, is subject to the vagaries of the weather - especially since production of exportable surpluses of grains largely originates in one geographic area - makes for a high degree of dependence and vulnerability to swings in world production and stocks; some developing countries are so dependent on food imports that a sharp deterioration in their import capacity can seriously jeopardize their ability to secure adequate food supplies. A lasting remedy to the imbalances must largely take the form of increased production in food-deficit developing countries. Nevertheless, international co-operation designed to strengthen food security by stabilizing the international grain market through appropriate policies regarding stocks to meet normal needs, and for emergencies, and by rationalizing food aid, is central to the establishment of equitable international economic relations.

25. Some developing countries, on the other hand, have the capacity or potential to export food and agricultural products but face restrictions on their access to markets in developed countries. Such countries require improved access to realize their potential for development.

26. The importance of the problem of world food security and trade for the New International Economic Order is reflected in section I.2 of the Programme of Action on the Establishment of a New International Economic Order, and in section V of resolution 3362 (S-VII).

27. This chapter will cover developments in a number of forums regarding food security and trade including the following topics: negotiation of a new international wheat agreement; negotiations concerning a new Food Aid Convention;

/...

policies regarding food aid; improved arrangements for emergency food aid and other proposals regarding World Food Security; assistance for building up national food reserves; the International Emergency Food Reserve; the Early Warning and Global Information System. It will also cover developments regarding the access of developing country producers to markets for their food and agricultural products.

C. Rational use of natural resources

28. Past patterns of growth in the international economy have been marked by the waste of certain key natural resources likely to become scarce in the long term; by abuse of the ecosystem; and by neglect of opportunities for the recovery, exploitation, and development of natural resources. In order for the development of the world economy, including in particular the development of developing countries, to be sustained and sustainable, such flaws in the mode of operation of the international economy must be removed.

29. This line of thinking is reflected in paragraph 4 (r) of the Declaration on the Establishment of the New International Economic Order, as well as in section I, paragraph 1 (b), of the Programme of Action, and in article 29 of the Charter on the Economic Rights and Duties of States.

30. This chapter will cover a number of specific issues warranting attention at this time, including the following:

1. Marine resources

(a) Marine resources under international jurisdiction

31. The mineral resources of the sea-bed and the ocean floor constitute a large part of the world's stock of certain key commodities. Their exploitation could affect significantly the terms of trade of developing countries exporting those commodities. Moreover, the financial benefits that may be derived in the future from the exploitation of the sea-bed and the ocean floor could be a source of funds to finance development.

32. At present, the ability to tap the mineral resources of the sea-bed and the ocean floor rests with a few transnational corporations. However, the Charter on the Economic Rights and Duties of States has stated in article 29 that the sea-bed and ocean floor, and the subsoil thereof, as well as the resources of the sea, are the common heritage of mankind. In order to ensure that developing countries share equitably in the benefits to be derived from the management and exploitation of these resources consistent with the New International Economic Order, it is necessary to establish, within a new legal régime governing marine resources outside exclusive national jurisdiction, an International Sea-Bed Authority.

33. Another important issue is the question of marine pollution and environmental aspects of the management of oceans and seas outside exclusive national jurisdiction.

34. This section will review developments in the Conference on the Law of the Sea relating to the resources of the sea-bed and ocean floor relevant to the New International Economic Order, and will discuss the possible role and authority of the International Sea-Bed Authority.

(b) Marine resources under national jurisdiction

35. The new legal régime regarding the resources of the oceans has the effect of bringing under the control of coastal States much of the resources of the oceans which include energy resources of various kinds and most of the world fish stocks. Few developing country coastal States are, however, in a position to take full advantage of the new situation by managing, developing and utilizing the resources rationally, taking into account the environmental dimension. To achieve this, an intensified effort by the international community to assist coastal nations to develop their own capacity, including infrastructure, will be necessary.

36. This section will discuss the extent and nature of the needs of developing coastal States; review proposals designed to meet such needs; and assess progress made in taking the necessary measures.

2. Energy

37. It is widely recognized that there is an urgent and growing need to develop new and renewable sources of energy, and to discover and exploit new petroleum deposits, particularly in the developing countries. However, developing countries face obstacles in doing so, in part because the development of additional energy resources requires heavy capital expenditures and in part because of the technical difficulties involved; both these problems are reflected in, and reinforced by, the weight of the large transnational companies in the international petroleum industry.

38. It is also recognized that an adequate solution of the world's energy problem requires that energy be used less wastefully, and that the developed countries enjoy a much larger margin for reducing oil use.

39. This section will examine developments regarding new and renewable energy resources; the expansion of exploration and development of energy resources in developing countries; and in conservation.

III. INTERNATIONAL MONETARY AND FINANCIAL ISSUES

40. More perhaps than in any other area, a satisfactory international monetary and financial framework is crucial to the achievement of the new international economic order in creating the right international environment. This is partly because inadequacies in this broad area frustrate progress in virtually every other area relevant to the goals of the new international economic order. There are two reasons for this. In the first place, an unsatisfactory financial framework makes for sluggish growth in an interdependent world economy and hence for a climate in which restrictionist tendencies of every kind, in particular trade protectionism and impediments to financial flows to developing countries, thrive. These inadequacies spring today, in the main, from deficiencies in the mechanisms for on-lending of balance-of-payments surpluses to deficit countries. The casualty has been the growth rate of the world economy which has had to adjust downward to whatever level was permitted by the mechanisms that have in fact worked to finance these deficits. The principal such mechanism has been the intermediation of private banks in recycling financial surpluses, inter alia, to developing countries, thereby sustaining to a degree effective demand in the developed countries.

41. As a result, even the non-oil producing developing countries present more reliable and dynamic export outlets than the industrialized countries. Had developing countries followed the example of the industrialized countries after 1973 by cutting back both their growth and imports to adjust to the oil price increases, the recession in the industrialized world would have been far more serious. The figures for 1975 when the economies of the European Community reached their lowest point are particularly striking. While Community exports to the United States fell by 17 per cent (in EUA terms) and those to EFTA countries by 3 per cent, Community exports to the developing countries increased by 25 per cent and those to the African, Caribbean and Pacific countries alone by 33 per cent.

42. If effective demand of developing countries for developed countries' products is to be similarly maintained in the near future, and if world activity is not to slump even further, satisfactory mechanisms will have to be found for financing the current account or balance-of-payments deficits of the non-oil developing countries, which are projected to double to \$43 billion from 1977 to 1979 and to exceed \$50 billion in 1980.

43. In the second place, in the more narrowly monetary area, exchange rate instability dampens the rate of world economic growth both by reducing the inducement to invest and by biasing the direction of investment away from productive areas into essentially speculative ones. There is mounting evidence that the current régime of floating exchange rates remains as vulnerable to speculative shocks as the fixed rate system which it had displaced, with consequent detriment to productive investment.

44. The monetary and financial framework is crucial to the new international economic order also because, apart from the checks to global and of course developing countries' economic growth arising from these inadequacies, perhaps in

/...

no other area is the sense of dependence of developing countries more deeply felt and perceived. Decision-making in the Bretton Woods institutions is essentially dominated by the developed countries. Moreover, many of the decisions that affect the fate of individual currencies and of international monetary stability generally rest increasingly with the portfolio managers of transnational corporations which can, when speculative pressures build up, effectively frustrate even the intentions of the most powerful of Governments.

45. Finally, and inherently in the financial area, is the fact of the wasteful use of resources for purposes of military expenditures which can instead be released for purposes of economic and social development through a suitable process of disarmament. In today's situation of budgetary stringency in several donor-countries, there needs to be an emphasis on ways and means of meeting accepted development targets through disarmament, bearing in mind the concern expressed by the General Assembly on this question.

46. The chapter will, after reviewing recent developments, deal with the international monetary system in terms of the reforms needed to improve its functioning. It will focus in doing so, inevitably, upon desirable changes in the over-all role of the International Monetary Fund, including the question of conditionality and the nature of the facilities required by developing countries.

47. In the area of financial flows, it will review developments concerning the recycling of balance-of-payments surpluses, the scope and magnitude of the debt burden resulting from prevailing mechanisms that carry out the function, and the need to place the recycling process on a more durable footing through whatever institutional changes seem appropriate. Taking into account the studies initiated by the General Assembly, it will also examine the potential for releasing resources through disarmament. Altogether, the analysis will explore the potential for a sustained and massive transfer of resources to all developing countries.

48. More generally, it will examine ways and means of placing the transfer of real resources to developing countries on a more predictable and assured basis so that an element of automaticity is introduced into the process of transfer that frees it from the vagaries of governmental decision-making.

49. Over-all, the analysis will entail the identification of gaps in the international monetary and financial system which will need to be filled through institutional innovation if the new international economic order is to be implemented; these gaps will include the financing needs of particular sectors and the interrelationships between them.

IV. INDUSTRIALIZATION AND TRADE IN MANUFACTURED PRODUCTS

50. The uneven pattern of expansion of the international economy in the past put the developing countries in the position of producers and exporters of primary commodities and importers of manufactured goods, a position in which, by and large, they remain. While primary production will continue to be the base of the economies

/...

of the developing countries, industrialization must be the dynamic element, and a main instrument for the full utilization of the development potential of the developing world.

51. To achieve a new international distribution of labour, in which developing countries will participate equitably in world production of manufactured goods, far-reaching changes must be made in the structure of world production, involving both a rise in the share of developing countries in world exports of manufactured goods and increased diversification of output and exports. This shift in production and trading patterns must be accommodated by developed countries, through anticipatory and active adjustment policies including the redeployment of industrial output, through planning or the market as appropriate. It also requires the production capacities of developing countries to be stepped up through a considerable expansion of financing; such a shift in production patterns in line with dynamic comparative advantage would be of mutual benefit and especially beneficial to consumers and those engaged in exports in the developed countries. The rapid industrialization of developing countries also calls for the transfer of technology and development of indigenous capacity, and a variety of other measures, including expansion of trade among developing countries.

52. The new international economic order places considerable emphasis on industrialization. The Programme of Action states in section III that all efforts should be made by the international community to encourage the industrialization of the developing countries. The General Assembly, at its seventh special session, endorsed the Lima Declaration and Plan of Action on Industrial Development Co-operation (see A/10112, chap. IV), which includes the target of a 25 per cent share of developing countries in world industrial production by the year 2000.

53. This chapter will focus on developments in the industrial exports of developing countries to developed countries, including such questions as protectionism, tariff and non-tariff barriers, the generalized scheme of preferences (GSP) and environmental aspects; redeployment and adjustment policies by developed countries; and the financing required for the attainment of the Lima target. It will analyse the results achieved in various forums, including in particular, the multilateral trade negotiations in GATT, and in UNCTAD; deliberations and negotiations on redeployment and adjustment in UNCTAD, the United Nations Industrial Development Organization (UNIDO) and in the International Labour Organisation (ILO), in particular at the World Employment Conference; and the work of UNIDO on financial needs. (Other aspects of industrialization are covered in chap. V on transnational corporations and other business enterprises; chap. VI on science and technology, chap. VIII on co-operation among developing countries, and chap. XI on the mobilization of domestic resources.)

V. TRANSNATIONAL CORPORATIONS AND OTHER BUSINESS ENTERPRISES

54. Business enterprises - particularly transnational corporations - have come to play an important and often dominant role both in international economic relations and in the over-all economic life of developing countries. They can serve as an

/...

obstacle to the attainment of equity and sovereign equality, and can make a negative contribution to the development process. On the other hand, they command enormous resources which could be channelled to promote the development objectives of developing countries and a new international division of labour.

55. It is accordingly necessary to ensure that the developing countries receive a maximum of benefit from their interaction with business enterprises while providing adequate incentives to them. This requires the regulation and control over the activities of transnational corporations, including restrictive business practices, and strengthening the negotiating capacity of developing countries. It also requires the promotion of direct investment and other forms of co-operation between enterprises of developing countries and foreign firms.

56. The new international economic order attaches particular importance to the question of transnational corporations. The Declaration, in paragraph 4 (g), includes among its principles the regulation and supervision of the activities of transnational corporations: the Programme of Action (sects. V and VII (b)), the Charter of Economic Rights and Duties of States (art. 2) and resolution 3362 (S-VII) (sects. I.10 and IV.6) also contain sections devoted to transnational corporations, restrictive business practices and enterprise co-operation.

57. This chapter will focus on developments regarding the regulation and control of transnational corporations; establishment of equitable rules; principles governing the question of restrictive business practices; and co-operation among enterprises, including tripartite co-operation among enterprises in developed market economy countries, the socialist countries of Eastern Europe and the developing countries. It will review deliberations and negotiations regarding those issues, including those in the Commission on Transnational Corporations on a Code of Conduct; in UNCTAD; in UNIDO; and in the ILO. It will also review developments in the strengthening of the negotiating capacity of developing countries and the promotion of direct investment, joint ventures and other forms of co-operation among enterprises.

VI. SCIENCE AND TECHNOLOGY

58. The marked disparity in the scientific and technological capacities of developing countries, on the one hand, and of the developed countries, on the other, is both a result and a factor contributing to the wide gap between developed and developing countries. It results in an inadequate application of scientific and technological knowledge for development, in a limited ability to generate new scientific and technological knowledge autonomously, and to choose, adapt and develop such knowledge imported from abroad. The ownership or control of technology in many key areas by transnational corporations reinforces an international market for technology characterized by a high degree of inequality in bargaining strengths and imperfections in its functioning, including limited access by developing countries to information.

59. In order to achieve the aims and objectives of the new international economic order, it is essential to bring about the technological transformation that developing countries need for rapid and autonomous development. This calls for the substantial and progressive strengthening of the scientific and technological capacities of developing countries, including the capacity to formulate and execute national science and technology policies, the capacity to undertake research and development and the capacity to select, absorb and adapt technologies acquired abroad. It also calls for the restructuring of the international market for technology.

60. Section IV of the Programme of Action adopted by the sixth special session, article 13 of the Charter on the Economic Rights and Duties of States, and section III of resolution 3362 (S-VII) adopted at the seventh special session give considerable emphasis to each of these tasks.

61. This chapter will review the principal negotiations and other developments regarding science and technology. It will assess progress made in various forums, including in particular the United Nations Conference on Science and Technology for Development (UNCSTD); the preparations in UNCTAD of a Code of Conduct on the transfer of technology; the revision in the World Intellectual Property Organization (WIPO) of the Paris Convention for the Protection of Industrial Property; and deliberations and negotiations regarding the reverse transfer of technology ("brain drain"). It will also cover international and interagency co-operation to strengthen indigenous scientific and technological infrastructure and capacities and to improve the functioning of the technology market. It will also address the question of research and development in energy and other raw materials, and the environmental aspects of science and technology.

VII. TRANSPORT AND INSURANCE

62. Imbalance in international economic relations and the division of labour is particularly marked in international shipping, and in insurance where quasi-transnational corporations are predominant. Developing countries generally depend on the shippers of developing countries to carry much of their external trade. In the bulk shipping sector institutional market structures result in bulk cargoes becoming "captive cargoes" of the industrial countries, in the monopoly of international transport, and in control being exercised by transnational corporations over vertically integrated operations involving bulk sea transport.

63. The new international economic order thus requires structural changes in world shipping and insurance (resolution 3202 (S-VI), sect. II.4). This involves the implementation of the Convention of the Code of Conduct on Liner Conferences negotiated under the auspices of UNCTAD. It also involves building up of the merchant marines of developing countries to attain an equitable participation in world tonnage. Among the issues that arise in this connexion are possible measures to serve bulk cargoes to developing countries, the system of open registry, the financing of and training of personnel for merchant marine development in developing countries. The new international economic order also requires the minimization of the cost of insurance and reinsurance to developing countries, the growth of domestic insurance and reinsurance markets in developing countries, and the establishment of institutions to that end, where appropriate.

64. This Chapter will review progress in bringing the Convention into effect and the decisions taken at the fifth session of UNCTAD regarding the share of developing countries in world tonnage. It will also review developments regarding insurance and reinsurance.

VIII. CO-OPERATION AMONG DEVELOPING COUNTRIES

65. The prevalence, on the one hand, of "vertical" links between developed countries and developing countries and "horizontal" links among the developed countries, and the paucity, on the other hand, of "horizontal" links among the developing countries is a result of the process of uneven development which marked the expansion of the international economy in the past. The strengthening and expansion of economic and technical co-operation among developing countries can serve as a central instrument in the reversal of this pattern of expansion. Such co-operation would permit developing countries to better exercise sovereignty over their national resources; to exploit the latent complementarities in their economies; to gain access to additional resources and knowledge; and to obtain a greater measure of the countervailing power necessary to secure the desired restructuring of relations between developed and developing countries.

66. The promotion of co-operation among developing countries is accordingly an important dimension of the new international economic order (resolution 3202 (S-VI), sect. VII). It is at the same time one of its objectives and one of the instruments for its attainment. The expansion of such co-operation requires the

/...

strengthening of the institutional arrangements covering economic and other interchanges among developing countries: the expansion of co-operative arrangements beyond the merely subregional level; deliberate policies to exploit the latent complementarities inherent in the differing capacities and development situations of developing countries; the extension to one another of preferential or special treatment; the maintenance and strengthening of arrangements for compensation where, for example, an improved bargaining position for one group of commodity producing developing countries leads to major losses for other developing countries; and to strengthen co-operative arrangements, including technical co-operation and the pooling of information, in relation to transnational corporations and banks.

67. This chapter will review developments regarding economic and technical co-operation among developing countries, including the United Nations Conference on Technical Co-operation among Developing Countries and the fifth session of UNCTAD and their respective follow-ups, and developments outside the United Nations system.

IX. PARTICULARLY DISADVANTAGED COUNTRIES

68. The least developed, land-locked and island developing countries, because of historical or geographic factors, face especially severe handicaps in realizing fully their development potential. The least developed countries, many of which are also land-locked, find it extremely difficult, if not impossible, to undertake a structural transformation of their economies without active assistance. The land-locked and island developing countries face, as such, specific problems regarding transportation. The most seriously affected countries, a category which includes the least developed countries, are exposed to economic fluctuations with little or no margin to make orderly adjustments.

69. It has been recognized that the implementation of the new international economic order requires special measures to assist the particularly disadvantaged countries (see resolutions 3201 (S-VI), sects. I.3 (c) and I.4 (c), 3281 (XXIX), article 25 and 3362 (S-VII), sect. I, para. 11 and sect. IV, para. 8). The General Assembly, at its sixth special session, adopted in section X of resolution 3202 (S-VI), a special programme including emergency measures to mitigate the difficulties of the MSA countries, bearing in mind the particular problems of the least developed and land-locked countries. The General Assembly is expected, at its thirty-fourth session, to decide to convene a United Nations Conference on the Least Developed Countries to adopt a substantial new programme of action for the 1980s for the least developed countries.

70. This chapter will review the decisions and deliberations of the General Assembly and of the fifth session of UNCTAD on the particularly disadvantaged countries, and developments in other United Nations bodies relating to the problems of these countries.

X. CO-OPERATION AMONG COUNTRIES WITH DIFFERENT SOCIAL AND ECONOMIC SYSTEMS

71. The compartmentalization of the world economy into the international economy centred around the developed market economies, on the one hand, and the socialist economies of Eastern Europe, on the other, is another important product of historical development that stands in the way of the full utilization of the world's productive potential. The expansion of economic intercourse between countries with different economic and social systems can make a positive contribution to the development of all economies.

72. In particular, the socialist countries can provide developing countries with new and additional markets as well as sources of technology and equipment. They can thereby contribute to the widening of the options of developing countries, expand the trade and the production of the latter and reduce their excessive reliance on transnational corporations and on the developed market economies. The expansion of economic relations between developing and socialist economies can thus reinforce the establishment of equitable international economic relations. In order to be fully successful in this regard, such expansion must be on the principles underlying the new international economic order, namely, equity, sovereign equality, and interdependence, common interest and co-operation among all States, irrespective of their economic and social system, and regardless of the historical origins of the position of developing countries.

73. The new international economic order explicitly recognizes the potential benefits from the further expansion of economic relations between developing countries and socialist countries (see art. 20 of the Charter of Economic Rights and Duties of States and resolution 3362 (S-VII), sect. I, para. 13). This chapter will review developments regarding additional measures and appropriate orientations including the principles and mechanism of co-operation, focusing on the deliberations and negotiations of UNCTAD on this subject.

XI. MOBILIZATION OF DOMESTIC RESOURCES

74. In order for developing countries fully to realize their development potential, the restructuring of international economic relations must be accompanied by intense efforts on the part of developing countries to mobilize their resources directed at achieving maximum self reliance. This mobilization must seek to reverse the institutional obstacles that stand in the way of the full utilization of productive potential, emanating, on the one hand, from traditional structures of economic and social relationships and, on the other hand, from the pattern of international economic relationships. It must also ensure that development is broadly based, that certain sectors that provide the key to sustained and self-reliant development, including the development of human resources are not neglected, and that it results in the creation of conditions for all peoples to achieve a life worthy of dignity, as called for in the Declaration on the Establishment of the New International Economic Order. This means that the growth of material production should be integrated into over-all development including infrastructure, social development, health, education and culture in line with domestic needs, and that it should involve the participation of the entire population both as producers and consumers.

75. Such integration is vital for a single overriding reason, namely, the inadequacy of rapid growth rates of gross domestic product (GDP) alone for achieving the necessary social development goals. Illustrative projections exist which indicate that even very ambitious growth rates for the world economy may not of themselves achieve the elimination of absolute poverty by the end of the century. No such outcome will be acceptable in terms of the objectives set in the Declaration of the New International Economic Order which seeks a process of international co-operation "whereby the prevailing disparities in the world may be banished and prosperity secured for all". It becomes, therefore, necessary to look to alternative policies for eliminating absolute poverty as soon as possible other than through the mechanical pursuit of high growth rates, which seeks to improve what has come to be termed the "quality of life" over-all of the poorest segment of society.

76. A necessary condition for accomplishing this improvement, based on the consideration that by far the largest number of the poor are to be found in rural areas, is a considerable increase in the volume of agricultural investment, the expansion and upgrading of supplies of services and physical inputs, appropriate price and other policies to increase the ability and propensity to invest. It also requires, in many cases, transformation of traditional structures of ownership and use of land, water and other factors of production, including fundamental changes in the system of credit.

77. In order to result in acceptable standards of subsistence, acceleration in food output must often be accompanied by a more evenly balanced distribution of that output. The establishment of a healthy work force, which is important for human welfare both in the short term and in the long term, via increased productivity, also requires other direct measures designed to raise levels of nutrition and health among the most impoverished groups of society. Such measures

/...

include the expansion of primary health care, greater access to safe drinking water, improved sewerage and human settlements in general.

78. Also of central importance to the development of human capital resources is education, and the training of qualified national personnel. To achieve rapid and sound development, the content of such development should reflect the need, on the one hand, for autonomy in the choice of development patterns and, on the other, for departure from traditional modes of thinking and behaviour standing in the way of economic and social progress.

79. Equally, it is necessary to incorporate all strata into the system of production and consumption, particularly those such as certain rural groups marginalized by past patterns of development. This objective is especially pertinent to the selection of the means for mobilizing human and other resources, and to technological choices.

80. A specific dimension of all these tasks is the need to remove obstacles standing in the way of the participation of women in the system of production and consumption. Special attention must also be paid to the problems of unemployment among youth and to protect particularly vulnerable groups, in particular children which are a resource for future development.

81. A third dimension is population, since it is closely intermeshed with such issues as the carrying capacity of land, the provision of health and educational services, employment, the participation of women, other disadvantaged groups, and human settlements.

82. Another basic dimension is the question of the mechanism whereby policy objectives are attained. The full and efficient mobilization of financial, physical and human resources requires substantial development and redeployment of institutions including those in the public sector, particularly State enterprises. Vigorous innovation is particularly important for achieving popular participation.

83. The relative emphasis that needs to be placed on the various desiderata, and the various linkages between the expansion of gross domestic product and over-all development, including the quality of life and the distribution of income, varies from country to country, depending on historical factors and the level of economic development attained. Moreover, the degree of success possible will depend critically on the margin of resources available for redeployment, which in turn often depend on the external environment. Thus, it is not possible to make prescriptions having universal validity, or to formulate strategies to eliminate poverty outside the context of the over-all development process, or independently of the particular context of a specific developing country. Nor is it valid to regard the fuller mobilization of domestic resources as a substitute for structural changes in international economic relations.

84. In summary, specific international action supportive of domestic measures is called for in the areas of food, health, sanitation and education so that acceptable norms, compatible with a substantial reduction in the numbers

of the absolutely poor, can be attained by the end of the eighties. Abundant historical evidence exists to indicate the feasibility in developing countries of combining relatively low levels of growth in GDP with substantial improvements in the "quality of life" as measured by indices of average daily caloric intake, life expectancy, infant mortality per thousand and literacy provided that Governments make the basic political decisions required to allocate their resources to the relevant sectors, bring about the necessary structural changes including measures of land reform and asset redistribution in the rural economy, and provided the international community is sufficiently supportive of efforts in these areas, both directly and through creating the right international environment.

85. In paragraph 4 (r), the Declaration on the Establishment of the New International Economic Order makes explicit reference to the need for developing countries to concentrate all their resources for the cause of development. The Charter of Economic Rights and Duties of States states in article 7 that each State has the right and the responsibility to choose its means and goals of development, fully to mobilize and use its resources, to implement progressive economic and social reforms and to ensure the full participation of its people in the process and benefits of development; it also states that all States have the duty, individually and collectively, to co-operate in eliminating obstacles that hinder such mobilization and use. Similarly, resolution 3362 (S-VII), in section V, paragraph 3, states that it is the responsibility of each State concerned, in accordance with its sovereign judgement and development plans and policies, to promote interaction between expansion of food production and socio-economic reforms, with a view to achieving an integrated social development. That resolution also makes reference in section III, paragraph 9, to efforts aimed at improving health conditions in developing countries by giving priority to the prevention of disease and malnutrition and by providing primary health services.

86. Subsequent resolutions of the General Assembly and of international conferences, as well as the decisions of the specialized agencies, have underlined further the importance of the issue of the mobilization of domestic resources, and have elaborated on its various facets.

87. This chapter will review the resolutions and decisions of the General Assembly and of international conferences, and the work of the subsidiary organs, programmes and specialized agencies of the United Nations on the various aspects of the mobilization of domestic resources, in the context of the New International Economic Order. It will cover both the question of national efforts and international measures in support of such efforts. The following main issues will be discussed:

(a) Food and agriculture, including financial and domestic policy requirements for accelerated growth, and the environmental aspects of the problem.

(b) Health and nutrition, including food distribution, primary health care and drinking water.

(c) Education, including literacy, and the training of qualified national personnel.

/...

- (d) Employment and rural development.
- (e) The participation of women, youth, and other disadvantaged groups.
- (f) Human settlements and physical infrastructure, including the question of the Transport and Communications Decade in Africa.
- (g) Institutional development.
- (h) Population policy.

XII. STRENGTHENING OF THE ROLE OF THE UNITED NATIONS SYSTEM

88. It is now widely accepted that the major challenges facing the international community in the field of development and international economic co-operation can only be met through wide ranging measures, many of them multidisciplinary in nature, drawing on the assistance, contributions and experience of the organizations of the United Nations system. This consideration has acquired added force from the affirmation of the General Assembly that all negotiations of a global character relating to the establishment of the New International Economic Order should take place within the framework of the United Nations system.

89. Thus the process of restructuring the United Nations system which was initiated three years ago is aimed at making the United Nations system a more effective instrument of international economic co-operation and development and more responsive to the requirements of the New International Economic Order. It is being pursued not in isolation but in the context of progress towards, and as an integral element in, the establishment of the New International Economic Order. Furthermore, it is inseparable from the efforts required to ensure the equal, full and effective participation of the developing countries in the formulation and application of international decision-making in the field of development and economic co-operation.

90. The measures undertaken thus far constitute no more than an initial, albeit significant, contribution to the process of restructuring the United Nations system, and they are limited to the rationalization of the structures and arrangements within the United Nations itself and of its relationships with the other component organizations of the United Nations system. These measures have nevertheless provided an opportunity for the organizations of the United Nations system to initiate a reappraisal of the direction and emphasis of their activities, to strengthen their international relationships and co-operative arrangements and, through greater coherence of action, to increase the impact of their response to the policy objectives set by the international community.

91. In the Declaration and the Programme of Action on the Establishment of a New International Economic Order, adopted at the sixth special session, the General Assembly emphasized that the United Nations as a universal organization should be capable of dealing with problems of international economic co-operation in a comprehensive manner and ensuring equally the interests of all countries. These documents furthermore contained a pledge by all Member States to make full use of the United Nations system in the implementation of the present Programme of Action, jointly adopted by them, in working for the establishment of a new international economic order and thereby strengthening the role of the United Nations in the field of world-wide co-operation for economic and social development.

92. In reviewing the progress made in the restructuring of the economic and social sectors of the United Nations system pursuant to General Assembly resolutions 32/197 and 33/202 and other relevant resolutions, the report to be submitted to the 1980 special session will endeavour to identify obstacles that continue to hinder the capacity of the system to deal with problems of economic

and social development issues in a more effective and comprehensive manner including the central issues of the New International Economic Order on which more rapid forward movement seems required. The report will also deal with issues relating to the functioning of decision-making processes within the United Nations system, the effectiveness of existing machinery for negotiation, and the preparation and implementation of decisions calling for concerted action by organizations of the system; the methods of work of central intergovernmental organs and their capacity to shape the various elements affecting development into coherent global policies; institutional problems relating to the level and adequacy of resources available to the system and its capacity to contribute to a significant improvement in the transfer of real resources, technology and other forms of assistance to developing countries, both directly and through its operational activities for development; progress made in strengthening regional and interregional co-operation and the role in that context of the regional commissions; interrelationships between regional and global policies and programmes; the functioning of structures and arrangements in support of economic co-operation among developing countries and system-wide issues concerning technical co-operation among developing countries; to the planning, programming, budgeting and evaluation processes in relation to the effective and coherent implementation of the over-all priorities set by Member States; and finally, the responsiveness of secretariat structures to the changing requirements of development and international economic co-operation, and the progress made in bringing about the reorientation of activities and priorities at the secretariat level as called for in General Assembly resolutions 3201 (S-VI), 3202 (S-VI), 3362 (S-VII), 32/197 and 33/202.

XIII. CONCLUSIONS

93. The final chapter will pull together the conclusions of the previous chapters on progress as regards the principal themes of the New International Economic Order. It will provide an assessment of the directions in which further international co-operation in the establishment of the New International Economic Order is desirable and possible, for the 1980s and beyond, including policy options for consideration at intergovernmental levels.
