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DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION,
TO THE AD HOC COMMITTEE, 27 AUGUST 1980*

I should like to express my gratitude for this opportunity to say a few words by way of introducing the report of the Secretary-General contained in documents A/S-11/5 and Add.1-3. The main document (A/S-11/5) entitled "Towards the new international economic order: analytical report on developments in the field of international economic co-operation since the sixth special session of the General Assembly", was prepared by my Office pursuant to the request contained in General Assembly resolution 33/198 of 29 January 1979. It follows the outline and the conceptual framework contained in the preliminary version (A/34/596), also prepared by my Office, of which the Assembly took note in its resolution 34/207 of 19 December 1979. The report in document A/S-11/5/Add.1 has been prepared by the Department of International Economic and Social Affairs of the United Nations Secretariat in pursuance of General Assembly resolution 34/217 of 19 December 1979 on immediate measures in favour of most seriously affected countries. I would note, incidentally, that this report does not contain a list of most severely affected countries. It examines the balance-of-payments situation of all low-income, non-oil-exporting countries, and the countries examined include those which have been adversely affected, as well as those which are more favourably placed; it also calls for a more detailed examination of the situation of individual countries. The report in document A/S-11/5/Add.2 has been prepared by the secretariat of the United Nations Conference on Trade and Development (UNCTAD) in response to General Assembly resolution 34/189 of 18 December 1979 on the acceleration of the transfer of real resources to developing countries, and sets forth conclusions based on some recent proposals concerning the expansion of the volume of resource transfers to developing countries. The report in document A/S-11/5/Add.3, also prepared by the UNCTAD secretariat, is submitted pursuant to General Assembly resolution 34/202 of 19 December 1979 on economic co-operation among developing countries.

* Circulated in accordance with the decision taken by the Committee at its 1st meeting, on 27 August 1980.

Rather than attempt to summarize the report as a whole, I shall, in the interests of brevity, focus my remarks on the conclusions of particular relevance to the new international development strategy and to the global negotiations, that is to say, for international economic co-operation in the years ahead.

At the historic sixth special session of the General Assembly, the international community undertook to establish a new international economic order consonant with the new realities and needs of the post-colonial era. Whereas the old order had been run by and for a few powerful countries, the new order would involve all countries in the management of the world economy and would promote the even development of the world's productive resources. The resolutions of the sixth special session, (3201 (S-VI) and 3202 (S-VI) of 1 May 1974), and other subsequent documents, called for structural changes in all the main sectors of the world economy - changes designed to end the system of dependence and tutelage inherited from the past, to strengthen the national economies of the developing countries, and to put in place a system of global management for international development that would serve the interests of all members of the international community.

Developments in international economic relations since the sixth special session have fallen considerably short of these aspirations and expectations, and focus has shifted from bold changes to attempts at partial adaptation. At the same time, the crisis of the world economy and the disjunction in international economic relations has continued to gather momentum, enveloping in one form or another all States, irrespective of their social and economic system, their stage of development or their resource endowments. The response to this state of affairs has taken the form of "crisis management" consisting of ad hoc remedies and of palliatives applied to this or that symptom of the crisis.

Thus, the commanding heights of the world economy have not been subjected to international co-operation, nor has a coherent framework of international economic relations been established capable of harmonizing the interests and policies of the various power centres of the international economy. The new order is therefore far from being a reality. Inflationary and recessionary forces have gathered strength; payment imbalances have widened; structural change has been obstructed; and the development of all groups of countries has been damaged.

The analytical report contained in document A/S-11/5 sets out in its introductory section some of the short-comings of international co-operation since the sixth special session. Among these, one of the most important is the deliberate separation of the process of restructuring international economic relations from the process of responding to the crisis in the world economy. In fact, the doctrine has gained currency that structural reform has to await a resolution of the crisis. This, in my view, is an untenable thesis, since the crisis itself is structural in character. What is required is not the separation but the synthesis of short-term and long-term co-operation, not only in order that efforts to restructure the world economy may bear adequate fruit, but in order that conjunctural problems may be properly resolved, instead of being simply rolled over. The task before the international community is not to manage the crisis,

but to manage the world economy, and thereby resolve the crisis. This will require bold measures with a systematic and forward look spanning the short term and the long.

A second, and related, short-coming has been the paucity of international co-operation regarding energy supplies and demand. The near-absence of energy on the international agenda has deprived the developing countries of a principal lever in the process of re-ordering international economic relations. Another result is that the international community is, on the one hand, faced with an energy situation and energy prospects that are fraught with uncertainties and dangers, and, on the other hand, lacking a coherent structure of co-operation regarding the supply, use and development of energy resources. Energy is a factor that has a profound influence on both the short-term functioning of the world economy and its longer-term evolution. Energy co-operation is an indispensable component of global management for development; but equally, global co-operation is indispensable for the rational use of the world's energy resources. For this, and other reasons, international co-operation regarding energy will have to be closely related to the processes both of short-term management and of international co-operation for the restructuring of the world economy.

A third short-coming has been the continued compartmentalization of negotiations along sectoral lines. At a time when the interdependence of problems in the areas of commodities, trade, energy, money and finance has increased dramatically, this sectoralization has tended to limit the scope both for cross-issue trade-offs and for the adoption of measures on the basis of their complementarity. An integrated approach - that is to say, the simultaneous application of policy measures in several sectors - has now become essential, on technical no less than on political grounds.

Analysis of the positive features of past developments yields conclusions for the present and future similar to those that emerge from examination of the negative features.

The last six years have seen some strengthening of the capacity of international financial and monetary institutions in the face of the growing deficits of developing countries. Although these strengthened capacities - and in particular the manner in which these capacities have been exercised - have fallen substantially short of the growing needs and the changed conditions of developing countries, their existence should not be overlooked. Progress has also been registered in regard to the "rules of the game" governing behaviour in certain important markets. Moreover, and perhaps more significant, has been the establishment of a number of new institutions, most notably the International Fund for Agricultural Development and the Common Fund, with participation and voting structures in line with the principles underlying the new international economic order. While it is true that these new institutions are small in relation to their tasks, they can be said to constitute prototypes of the mode of international economic co-operation required to manage the world economy in line with the new constellation of forces. In particular, they provide some grounds for thinking that decision-making processes of the international

monetary and financial system can be changed, to make them more equitable and more viable.

The global negotiations can provide the means of correcting the short-comings and of extending the achievements - limited as they are - of co-operation in the past. By bringing the commanding heights of the world economy into a coherent framework of international co-operation, these negotiations can lead to the adoption of measures necessary to arrest inflationary and recessionary tendencies, promote sustainable growth and bring about structural change.

However, as I indicated in a statement to the Ministerial Meeting of the Group of 77 last week, a number of conditions must first be satisfied.

For one thing, both energy (including supply and demand for fossil fuels) and money and finance must be placed squarely at the centre of the negotiations, and stripped of their institutional totems and taboos. The de facto control exercised by developed countries over the international monetary and financial systems must not be allowed to stand in the way of balanced political agreements, including measures in the monetary and financial spheres, conducive to steady international development. As regards energy, the supply side of petroleum must figure on the agenda, along with the demand side.

Secondly, the negotiations must reflect the new balance of economic power. The oil-exporting developing countries are historically, culturally, geographically, politically, and, in very large measure also economically, part and parcel of the third world. Attempts to separate them from other developing countries should be resisted. That being said, it must be recognized that the oil-exporting developing countries have their own specific weight and interests. They also have rights and responsibilities; both must be borne in mind. The oil-exporting developing countries are in a position to play a critically important role, for history has given them an opportunity to make oil into a weapon for economic liberation and peace. They have already undertaken broad commitments, on which action could well be intensified, in regard to financial, economic and other co-operation with oil-importing developing countries in the context of their collective self-reliance. We may, moreover, be confident that they will wish fully to join with other developing countries in taking advantage of the opportunity offered by the global negotiations for constructive co-operation which would both serve their interests and help promote steady global economic development. The developed countries for their part not only have an interest in ensuring that these negotiations promote steady international development but they also have the responsibility to give full effect to their commitment to contribute to the restructuring of international economic relations on the basis of the Declaration on the Establishment of a New International Economic Order (General Assembly resolution 3201 (S-VI)). In order to succeed, the global negotiations will have to address themselves to all the key control points of the international economy: it would make little economic sense and even less political sense to single out energy for international negotiation.

A third condition for success is that the negotiations should be both

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wide-ranging and sharply focused: wide-ranging, in that they should include short-term, medium-term and long-term issues, and treat questions of contraction, growth and structural change as three parallel prongs; and sharply focused, in that they should concentrate on the key problems, laying aside the lesser issues or delegating them to the relevant specialized forums. A narrow focus and a cluttered agenda are equally dangerous.

Fourthly, the negotiations should bring benefits to all the parties - in an equitable manner, on the basis of their relative weakness and vulnerability - and no grouping should opt out of the process of negotiation.

Based on the foregoing, I would submit that the global negotiations should seek to arrive at a series of policy measures commanding political commitment. Such political commitment would provide the assurance that all Governments would take action singly, collectively, and through their participation in all relevant international organizations, for the full and effective implementation of these policy measures. At the core of each series would be measures regarding money, finance and energy - which constitute an inseparably interrelated cluster - together with other measures as appropriate. These measures would deal with short-term, medium-term, and long-term problems in a balanced manner and with full respect for their interdependent character. They should meet the concerns of all groups of countries, bearing in mind differences in capabilities and strengths. The central negotiating process should make adequate provision for the involvement of the specialized forums in the negotiations - as well as for an appropriate role for these forums in following up the outcome - although not at the cost of impeding an integrated approach to the key problems. Due regard must be paid to the Relationship Agreements between the United Nations and the specialized agencies; but at the same time, sight must not be lost of the body of accepted practice and interpretation that have been evolved over the 30-odd years since those Agreements were concluded.

In this context, special attention must be called to the provisions relating to specialized United Nations forums for negotiation which were enunciated in paragraphs 16 and 17 of the annex to General Assembly resolution 32/197 - a resolution that was adopted without dissent on 20 December 1977. These paragraphs read as follows:

"All United Nations organs and programmes, the specialized agencies, the General Agreement on Tariffs and Trade, the International Atomic Energy Agency and ad hoc world conferences should co-operate in whatever measures are necessary for the effective discharge of the responsibilities of the General Assembly and the Economic and Social Council and should, in accordance with the Charter of the United Nations and within the scope of their respective basic instruments, give full and prompt effect to their specific policy recommendations.

"In carrying out their respective mandates, all United Nations organs and programmes, agencies and ad hoc world conferences should be similarly guided by the over-all policy framework established by the General Assembly

and the Economic and Social Council, taking fully into account the needs and requirements of the developing countries."

It may also be noted that in paragraph 54 of the same annex, the General Assembly in fact envisages that the Relationship Agreements themselves will be reviewed in order to reflect these provisions.

There can be little doubt that success in the global negotiations will require a revolution in positions and perspectives. The enormity of this task may seem daunting. But the task itself is not impossible. The international community must confront the problems it faces, and it can attune the negotiating agenda and processes of the United Nations to the real world outside. But, in addition to determination and effort, realism and caution will be needed. While the special session can hardly be expected dramatically to reverse the attitudes of countries, I believe that perspectives and positions are becoming more fluid and show signs of moving in the right direction. This is evident not only in the tone and content of the statements made thus far in the plenary debate but in the flexibility that has been emerging with regard, for instance, to the language and the composition of the agenda and the juridical status of the outcome of the negotiations in the central body.

The special session can provide powerful impetus to this process, and therefore has the potential for achieving much more than a papering over of differences through the now-familiar rituals. In particular, it can accelerate the process of linking energy, money and finance in a manner which would permit the global management of the world economy for the common and mutual benefit of all its constituent parts. The forthcoming series of meetings scheduled by the Organization of Petroleum Exporting Countries could be decisive in convincing the developed countries, some of whom have so far shown great hesitation on the central question of the linkage between energy and money and finance to engage seriously in the negotiations.

No less important than the global negotiations is the question of the new international development strategy. Fortunately, the process of negotiating a text is well advanced. A number of important issues remain outstanding. The main stumbling-blocks are closely related to those in the global round, in particular on the questions of money, finance and energy, and on the question of structural change. There are a number of other unresolved issues - such as the respective roles of developed and developing countries - but I feel confident that it will prove possible to come to agreement on the new international development strategy at the special session, provided that there is sufficient movement on money, finance and energy.

The stakes are high. If the special session fails to remove the stumbling blocks in the way of agreement on global negotiations and on the new international development strategy, North-South relations as well as international economic co-operation as a whole will be severely damaged, and at a very sensitive time. Another opportunity to correct the current acute disjunction is international economic relations, and to create through negotiations a framework for the

systematic international economic co-operation that is needed to contain and to resolve the crisis of the world economy, is not likely to present itself soon.

On the other hand, if the special session is successful, it may well lay the foundations for attaining even international development and global prosperity. That is the imperative before us.
