



UNITED NATIONS
GENERAL
ASSEMBLY



Distr.
GENERAL

A/35/380
29 August 1980

ORIGINAL: ENGLISH

Thirty-fifth session
Item 61 (h) of the provisional agenda*

DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION

Review of the present system of international
financial co-operation

Note by the Secretary General

1. In paragraph 4 of its resolution 34/189, entitled "Acceleration of the transfer of real resources to developing countries", the General Assembly, inter alia, requested the Trade and Development Board to report to the Assembly at its thirty-fifth session on progress made on the review of the present system of international financial co-operation in the context of world trade and development and on the consideration of ways and means to make it more effective in contributing to the development of developing countries. The present document has been prepared by the Secretariat of the United Nations Conference on Trade and Development (UNCTAD) in accordance with that request.
2. The matter was considered at the ninth session of the UNCTAD Committee on Invisibles and Financing Related to Trade, which was held from 30 June to 11 July 1980, and dealt with under agenda item 6, entitled "Requirements of an effective system of international financial co-operation".
3. The documentation prepared for consideration under this item included a policy paper entitled "Requirements of a comprehensive system of international financial co-operation" (TD/B/C.3/161) and a number of supporting papers. These were designed to supplement the analysis contained in document TD/235, entitled "Towards an effective system of financial co-operation". The studies addressed several technical aspects relating to the rationale of an effective system of international co-operation.
4. The analysis in the main policy paper (TD/B/C.3/161) drew attention to the need for a mechanism that would ensure a measure of consistency between the different constituents of financial flows to developing countries. Secondly, it argued the need to reduce fluctuations in the level of financial flows resulting

* A/35/150.

from their dependence on the annual decision-making process of Governments in developed countries, and to introduce new mechanisms that would put the provision of development finance on an assured and predictable basis. Thirdly, it recommended that the gaps in the existing system for meeting developing countries' financing requirements should be filled. In the context of those gaps, the following needs were emphasized:

(a) To provide outright grants to countries with low per capita incomes, especially the least developed countries;

(b) To offset shortfalls in the import capacity of developing countries which resulted from long-term causes such as deficiencies of aggregate demand associated with economic maladjustments in developed countries;

(c) To finance the investments in developing countries which were necessary if targets for structural change in the world economy were to be attained;

(d) To provide credits to promote the export trade of developing countries, especially in manufactured goods.

5. Document TD/B/C.3/161/Supp.1, entitled "Resource transfers, excess capacity and industrial regeneration in developed market economies: a review of some available evidence", served to throw light on the relationships which exist between resource transfers, levels of demand in the world economy and the rates of capacity utilization in particular sectors in developed market economies. Document TD/B/C.3/161/Supp.2, entitled "New mechanisms for mobilizing resources for development finance", raised the question whether an effective framework for international financial co-operation should continue to depend on voluntary mechanisms for providing the required level of financial flows to developing countries. The report stressed the need for new mechanisms of a more automatic character for mobilizing development finance and analysed the possibility of using various types of international taxes for this purpose, in particular, taxes on international trade. Document TD/B/C.3/161/Supp.3, entitled "Some aspects of the outlook for global financial flows in the context of the Third United Nations Development Decade", indicated that even under optimistic assumptions about developments in the world economy, the attainment by developing countries of the target of a rate of growth in the gross national product (GNP) of 7 per cent a year for the Third United Nations Development Decade would require a very large increase in international financing over recent levels. The document also emphasized the financing needs of developing countries in the face of the uncertain outlook for the world economy in the 1980s, although these considerations were important elements of the background against which an effective system of international financial co-operation should be formulated.

6. On the basis of the discussions, the Committee adopted resolution 18 (IX) 1/ which agreed that the subject-matter of the resolution was a broad and complex

1/ See report of the ninth session of the Committee on Invisibles and Financing Related to Trade (TD/B/821-TD/B/C.3/172).

one requiring further elaboration and that it would be a major concern of the Committee's future work. The Committee also agreed that such a review should include considerations of the volume, direction and conditions of financial flows and their interrelations in order to analyse how they met the needs of developing countries, and to examine possibilities of improvement, where appropriate, taking into account policies in the interrelated areas of trade and development. The resolution also requested the Trade and Development Board to inform the General Assembly of the work programme of the Committee. Finally, the resolution requested the Secretary-General of UNCTAD to prepare and submit to the Committee the necessary documentation to pursue its work on this subject.
