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CRITICAL ECONOMIC SITUATION IN AFRICA: UNITED NATIONS  
PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND  
DEVELOPMENT 1986-1990

LUNCHING OF GLOBAL NEGOTIATIONS ON INTERNATIONAL  
ECONOMIC CO-OPERATION FOR DEVELOPMENT

DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION

EXTERNAL DEBT CRISIS AND DEVELOPMENT

SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE

Letter dated 6 October 1988 from the Permanent Representative of  
Zimbabwe to the United Nations addressed to the Secretary-General

I have the honour to forward the enclosed document entitled "Assessment of the current state of the North-South dialogue and proposals for its revitalization", issued by the First Substantive Meeting of the Standing Ministerial Committee for Economic Co-operation of the Movement of Non-Aligned Countries, held at Harare from 4 to 7 July 1988.

I would be grateful if the paper could be circulated as an official document of the General Assembly under items 39, 44, 82, 83 and 86.

(Signed) I. S. G. MUDENGE  
Ambassador  
Permanent Representative

ANNEX

Assessment of the current state of the North-South dialogue  
and proposals for its revitalization

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## I. INTRODUCTION

1. The First Substantive Meeting of the Standing Committee for Economic Co-operation of the Movement of Non-Aligned Countries was held at Harare from 4 to 7 July 1988, in accordance with the decision of the Eighth Conference of Heads of State or Government of the Movement of Non-Aligned Countries. The Harare meeting of the Committee followed previous preliminary meetings of the Standing Committee held in 1987 at Pyongyang during the Movement's Extraordinary Ministerial Meeting on South-South Co-operation, and in New York during the forty-second session of the United Nations General Assembly.

2. Representatives of the following countries members of the Standing Ministerial Committee participated in the meeting: Argentina, Brazil, Cameroon, Cuba, Democratic People's Republic of Korea, Ghana, India, Indonesia, Jamaica, Lesotho, Malaysia, Nigeria, Pakistan, Peru, Sri Lanka, Togo, Uganda, United Republic of Tanzania, Venezuela, Yugoslavia, Zambia, Zimbabwe.

3. The following members of the Movement of Non-Aligned Countries also participated in the meeting, which was open-ended: Algeria, Angola, Botswana, Cyprus, Egypt, Ethiopia, Iran, Iraq, Jordan, Kenya, Lebanon, Libyan Arab Jamahiriya, Mali, Morocco, Mozambique, Nicaragua, Palestine Liberation Organization, South West Africa People's Organization, Sudan, Tunisia, Viet Nam, Zaire.

4. The representatives of the following countries, organizations and national liberation movements attended the meeting as observers and guests:

(a) African National Congress, Afro Asian People's Solidarity Organization, Organization of African Unity, Pan Africanist Congress, United Nations;

(b) The South Commission, Sweden, United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Industrial Development Organization (UNIDO), United Nations Information Centre.

5. The meeting was held against the current background of a worsening crisis in the international economic system, characterized by such inequitable phenomena as the massive external debt of developing countries, exorbitant interest rates, exponentially declining commodity prices, unfavourable terms of trade and restrictive trade policies, all of which threaten to accentuate the polarization between North and South.

6. Against this background, and guided by their commitment to South-South co-operation, the countries of the South have taken several steps since the Eighth Summit of the Non-Aligned Movement to foster greater economic co-operation among themselves and to address the very grave issues that affect their economic relations with the North, with a view to establishing a just, fair and equitable world economic system conducive to the unimpeded socio-economic development of all mankind. Among these steps were the establishment of the South Commission and the convening of the Extraordinary Ministerial Conference of the Non-Aligned Countries on South-South Co-operation.

7. Also since the establishment of the Standing Ministerial Committee for Economic Co-operation, the developed countries of the North have addressed some of these economic concerns in their own forums and jointly with the countries of the South within the United Nations system. However, the concerns of the South at this continuing common crisis persist despite the growing acceptance of the principle of shared responsibility.

8. Accordingly, at its meeting held during the forty-second session of the General Assembly, the Standing Ministerial Committee for Economic Co-operation adopted the following agenda item for its first substantive meeting:

"Assessment of the current state of North-South dialogue with a view to identifying strategies of Non-Aligned and other developing countries for the defreezing and revitalization of the North-South dialogue, particularly in the interrelated areas of money, finance, trade, external debt and development."

9. In considering this item, the Committee assessed the background and current state of the North-South dialogue as follows.

## II. PAST EFFORTS AT DIALOGUE

### 1. North-South dialogue, 1960-1980

10. The efforts of developing countries to negotiate collectively to get a just and equitable deal in their economic relations with the developed countries have become known as the North-South dialogue. Negotiations aimed at managing the international economy were held previously, notably the Bretton Woods Conference in 1944. However, these negotiations were not part of the North-South dialogue, since the South, the majority of which was still colonized, was effectively excluded; neither did the Eastern European countries participate. The voting power and structure of the institutions that emerged from this Conference, which continue to dominate the international economic system, thus reflected the dominance of the Western countries.

11. The North-South dialogue really started in the 1960s, with the formation of the Non-Aligned Movement at Belgrade in 1961. This must be seen as our first deliberate collective effort at influencing the future of international economic and political relations to be more equitable towards the developing countries. This development grew out of the changing correlation of forces on the global scale in favour of the progress of mankind. In 1964, we witnessed the setting-up of UNCTAD. Within UNCTAD, the Group of 77 was formed, through which we sought to promote our joint economic interests. These and other organizations were products of our joint and collective action to put our plight on the international agenda.

12. Initially, the political climate which characterized the 1960s was conducive to the promotion of North-South dialogue. In particular, the failure of the international market system to promote equitable growth was widely recognized. Thus, during the First United Nations Development Decade, there was general agreement among member States and economists about the need for deliberate efforts

to alleviate the plight of the poor nations of the South. However, the needs of the South were largely seen as consisting in the need for more and better aid in order to deal with underdevelopment, rather than in fundamental reforms to the international trading and payments system. The Group of 77 had been calling for the developed countries to transfer 0.7 per cent of their gross national product to the developing countries in the form of aid. This call was endorsed in the International Strategy for Development for the Third United Nations Development Decade and the Official Development Assistance targets of the Substantial New Programme of Action for the Least Developed Countries.

13. Whereas in the 1960s the Movement of Non-Aligned Countries had tended to emphasize political issues, in the 1970s equal stress was placed on economic issues. Thus, at the Algiers Summit in 1973, the Movement adopted an Action Programme calling for the New International Economic Order. This call was endorsed by the General Assembly at its sixth and seventh special sessions in 1974 and 1975.

14. The collective action of members of the South, starting with the OPEC countries, was instrumental in the convening of the Conference on International Economic Co-operation in Paris in 1975. This Conference, otherwise known as the Paris Conference, continued intermittently until mid-1977 without producing substantial results.

15. In all of these organizations we put forward an agenda designed to establish a fairer and more equitable international economic system. We have put forward this agenda so often that the specific items on it are well known. They included, inter alia:

- (a) Calls for increased aid flows from the North to the South;
- (b) Reduced protectionism by the industrialized countries and improved access to their markets for the South;
- (c) Better regulation of international commodity markets, to alleviate the effects of fluctuating prices and deteriorating terms of trade;
- (d) Reforms to the international monetary system, to improve the South's access to financial resources;
- (e) Improved technology transfer from North to South.

16. These agenda items were brought under one umbrella in the call for the establishment of the New International Economic Order. This call reiterated the arguments made by the Group of 77 throughout the 1960s and the 1970s that the power structure of the Bretton Woods System was inequitable and that the institutions established under it were inhibitive to changing the structure of the world economy.

ensure that the thirtieth anniversary of the Universal Declaration of Human Rights is the occasion of special efforts to promote international understanding, co-operation and peace and the universal and effective respect for human rights, more particularly by laying stress on the educational approach both within and outside formal school systems".

11. Both the Economic and Social Council and the General Assembly endorsed the Commission resolution. In particular, the General Assembly, in its resolution 32/123 of 16 December 1977, requested the Secretary-General to initiate appropriate activities at the United Nations level, and decided to hold a special commemorative meeting to celebrate the anniversary on 10 December 1978.

### C. Advisory services and training programmes

12. In 1955, the General Assembly decided, in resolution 926 (X) to consolidate existing technical assistance programmes with a broad programme of assistance in the field of human rights and authorized the Secretary-General to make provisions, at the request of Governments and with the co-operation of the specialized agencies, where appropriate, for the following forms of assistance:

- (a) Advisory services of experts;
- (b) Fellowships and scholarships;
- (c) Seminars.

13. The General Assembly recommended that the specialized agencies should continue to develop their technical assistance activities with a view to aiding Member States to further the effective observance of human rights. It also expressed the hope that international and national non-governmental organizations, universities, philanthropic foundations and other private groups would supplement the new United Nations programme with similar programmes designed to further research and studies, the exchange of information, and assistance in the field of human rights. (In 1967, a fourth form of assistance, regional training courses, was added to the programme.)

14. In addition, the Economic and Social Council, in its resolution 1978/14 of 1978, requested that the financing of the advisory services programme in the field of human rights should be arranged as a part of the budget of the human rights programme of the United Nations, and reiterated its request to the Secretary-General to organize at least two seminars and one training course annually and also to grant at least 25 fellowships each year, giving special attention to the needs of the developing countries. The Council also authorized the Secretary-General to supplement the number of seminars, fellowships and training courses possible under the programme by arranging for additional seminars, fellowships and training courses which would be financed by Governments willing to do so.

dialogue, although they appeared to lack the political will to implement the agenda. Through the 1970s, however, there were growing signs of the North's unwillingness even to enter into dialogue. A major reason for this change of attitude arose out of the success of OPEC in raising oil prices in 1974, and the related commodity boom. This dramatized the extent to which the South, through its concerted and collective action, could ensure a more equitable return on its resources and production. Faced with the prospect of further commodity cartels, the North began to insist on "allowing market forces to rule" and to attempt to deal with the South on a case-by-case, bilateral basis. The official humanitarianism of the 1960s rapidly eroded in the North with the realization of the potential power of the South in securing a future for itself rather than requesting one from the countries of the North.

24. Another reason for this growing hostility to dialogue was that the North responded to its growing unemployment and inflation crises with domestic policies that sought to shift the burden of adjustment elsewhere. In addition, the post-war growth of transnational corporations, which had the active support of these governments, meant that in time there came to be a merger, not just of interests, but also of personnel between the State and big corporate interests. Thus to the extent that these corporations' activities were the concern of the South, the personnel of the North that the South met at international forums could not always be clearly distinguished from those corporations' interests.

25. Furthermore, during the processes of multilateral negotiations, there was a consistent pattern of attempting to divide the developing countries geographically as well as by capitalizing on their different economic interests. This pattern was best expressed at the 1975-1977 Conference on International Economic Co-operation and the Cancun Summit. After these attempts came a questioning of the United Nations as the central forum for international economic negotiations and attempts to alter substantially the mandates and main directions of activity of this principal world organization. All this was an effort to break the perceived commodity power of the South, an effort which was a prelude to positions of the developed countries in the 1980s.

26. In summary, because of the North's resistance to our agenda, little progress was made in the 1960s and 1970s in reforming the world economic system to make it more equitable to the poverty-ridden countries of the South. Nevertheless, the greatest success of the 1960 to 1980 period is our ability to adopt a common position in the face of very adverse circumstances and amid efforts to divide us.

### 3. Trends in the North-South dialogue in the 1980s

27. We have persisted in our efforts to come to an amicable agreement with the North on the restructuring of the international economic system.

28. At Belgrade in 1983, at the sixth session of UNCTAD, the Group of 77 suggested reforms to the international monetary system, restructuring of the external debt to help revive the development momentum of the debtor countries, removal of terms and conditions by the International Monetary Fund (IMF) not congenial to growth, a positive flow of resources to developing countries, and the reorientation of



priorities by the rich countries from armaments to development. The Eighth Summit of the Non-Aligned Movement endorsed the establishment of the independent South Commission, chaired by His Excellency Julius Nyerere, to investigate and promote items on the North-South agenda. These efforts have been made in the knowledge that the need for dialogue and action is more imperative now than it has ever been.

29. Our efforts to give a new impetus to North-South dialogue in the 1980s have been complemented by a number of international organisations involved in North-South issues, which have reiterated the imperative need for such dialogue. Thus, for instance, the World Commission on Environment and Development emphasises the common interest of mankind.

30. However, the attitude of the developed market economies to such dialogue in the 1980s has hardened, and it seems more impossible than ever to get action on the agenda. The developed nations have refused to accept our proposals on money and finance, which would have meant making the World Bank and the IMF accountable to UNCTAD. Nor could they agree to measures for expansion of trade, flow of resources and debt relief. At the seventh session of UNCTAD in 1987, they refused to budge from the line that the seven industrialised countries had adopted at their Venice Summit. The developing countries' suggestions that the South's \$US 1 000 billion debt burden be considered for rescheduling at a joint forum of debtor and creditor countries, that future loans be advanced at concessional rates of interest and that ways be found to enable banks to write off large portions of loans were flatly rejected by the developed countries.

31. However, among the policy statements in the Final Act of the seventh session of UNCTAD is the agreement to give new impetus to the evolution of a growth-oriented international debt strategy. This agreement recognizes the shared responsibility of debtors and creditors, both public and private, and the essential interrelationship of debtor country policies, external financing and an external environment supportive of development. This agreement also recognizes that special considerations need to be given to the poorer countries and other countries in sub-Saharan Africa.

32. The Common Fund for the stabilization of commodity prices has at long last been ratified by the required number of countries for it to become operational. The issue had been shelved at the insistence of some of the major developed countries that were committed to non-interference in the market mechanism. That insistence is still prevalent in some countries of the North, especially those in the West. It is a kind of thinking that claims to find its objective basis in the current world economic crisis, a crisis that combines both cyclical and structural phenomena.

33. Such apparent emphasis on market forces demonstrates the cynicism of some of the major developed countries, as it is coupled with increasing State intervention in both the domestic and the international economy. Thus, the restrictive fiscal and monetary policies of the leading developed countries today, the deliberate manipulation of interest rates and the increasing use of not just non-tariff barriers to trade, but also overt political pressure, cannot be said to represent a belief in the market mechanism.

34. Our experience of collective action in the 1970s, which put the North on the defensive, shows that there are countervailing factors we can apply. But it is largely an examination of the current state of the world economy that makes dialogue imperative and accentuates the need for acceptance of the concept of shared responsibility.

### III. RECENT TRENDS IN THE WORLD ECONOMY

#### 1. General economic background to the 1980s

35. During the 1960s, the world economy boomed: output growth in the industrialized economies averaged 5 per cent per annum; the developing countries experienced growth rates of 6 per cent, world trade expanded at 8.5 per cent per year. The North-South dialogue was essentially concerned with improving the distribution of gains from a growing international pie. In the 1970s cracks began to appear in the system, but there continued to be economic growth; output of the industrialized economies grew by 3.3 per cent on average; real GDP in the developing countries grew by more than 5 per cent per annum.

36. The 1980s have seen a reversal of this expansionary period. Economic growth in the industrialized economies has been extremely low. In the first four years of this decade, growth rates achieved were less than 1.5 per cent per annum. The recovery in 1984 was not sustained, with growth rates of around 3 per cent in 1985 to 1987, compared unfavourably with the rates of 5 per cent in the 1960s. Forecasts by IMF suggest that there may well be a decline in 1988 and 1989. For the developing countries, the growth record of the eighties has been even worse. Their annual average growth of GDP as a whole in 1980-1984 fell to 1.1 per cent. Such low rates of GDP growth coupled with population growth have meant a decline in real income per capita for many of these countries. Even in 1984-1985, when slightly higher general growth rates were recorded, 58 of 126 developing countries registered declines in their per capita real income, 22 of them of more than 5 per cent.

37. Nor has this crisis of stagnation been confined to the developing countries and the industrialized economies of the West: for the first time it has seriously affected the countries of Eastern Europe.

38. The generalized nature of the crisis indicates that now as never before there is a need for co-ordinated and collective action to reform the world economic system. The interdependent nature of the world economy, which the Non-Aligned Movement has been stressing since its foundation, has never been more clearly and more objectively demonstrated.

#### 2. Poverty and the quality of life

39. The stagnation of the world economy has exacerbated the living conditions of the poor in the South. The disparities of world income distribution are well known. The North (including Eastern Europe) has one quarter of the world's

population and four fifths of its income; the South (including China) has three fourths of the world's population but lives on one fifth of its income.

40. In the North, the average life expectancy is more than 70 years and an average citizen is assured of food and basic education; in the South, the great majority of the people have a life expectancy of less than 50 years; in the poorest countries one out of every four children die before the age of five; more than one fifth of the people suffer from hunger and malnutrition and 50 per cent have no chance to become literate.

41. These global disparities are mirrored within the developing countries themselves, with enormous differences between the rich elites and the poor masses. In many countries, the burden of adjusting to the global economic crisis has fallen disproportionately on the shoulders of the poor.

42. Although these have always been the characteristic features of underdevelopment, many of them worsened in the 1980s. In sub-Saharan Africa, widespread hunger and malnutrition has become endemic since the late 1970s. This was reflected most seriously in the 1983-1984 droughts. Despite the receding of the drought in 1985, the Food and Agriculture Organisation estimated that 200 million people faced severe food shortages and that the lives of as many as 30 to 35 million were seriously threatened. Ten million people had abandoned their homes to search for food, water and pasture for their herds.

### 3. International trade in the eighties

43. In the 1960s and 1970s, buoyant growth in output was accompanied by growing world trade. The 1980s, however, have seen the volume of trade expand by only 2 per cent per year, compared with rates of 8.5 per cent and 5 per cent in the previous two decades. The value of global trade has expanded even more slowly, partly because of the strength of the dollar. Within this stagnant market, the performance of the developing countries has been extremely disappointing. The value of their total merchandise exports declined from \$555 billion in 1980 to \$440 billion in 1985. Their share in world markets shrank from 27.9 per cent to 22.9 per cent over the same period.

44. Part of the reason for this loss of market share has been the growth of discriminatory protectionism by the industrialized countries. Thirty per cent of manufactured exports by developing countries to the North are subject to non-tariff barriers, as opposed to 18 per cent for trade between developed countries.

45. These barriers have grown in the 1980s as the North has responded to the global crisis with individual actions designed to shift the burden elsewhere.

46. The performance of the traditional exports of developing countries has been abysmal in the 1980s. The share of primary commodities in world trade fell from 50.4 per cent in 1962 to 45.2 per cent in 1982. There was also a visible downward trend in the intensity of raw materials consumed in the manufactured items of the developed countries.

47. The index of non-fuel commodity prices has been falling by 4 per cent per year since 1980. According to IMF, the index of real commodity prices including fuel, using 1980 as a base year and going back to 1970, reached its lowest level in 1986. The index averaged 111.8 between 1950 and 1980 but fell to an average of 89.4 between 1980 and 1986.

48. The decline in commodity prices has been estimated to have saved the industrialized economies over \$200 billion since 1982 on their imports from the developing countries. Conversely, the latter have lost that amount in potential earnings. The commodity price drop has thus, on the one hand, contributed to the control of inflation and the revitalization of growth in the industrialized economies, while on the other it has reduced incomes, created balance-of-payments constraints and impeded economic recovery in the South.

49. The terms of trade for non-oil-exporting developing countries continued to worsen in the 1980s, falling by 2.3 per cent per annum between 1980 and 1985. For the oil-exporting developing countries, the terms of trade grew annually by 0.2 per cent over the same period, as compared to the 23.4 per cent annual growth experienced between 1973 and 1980. In contrast, the terms of trade for the developed market economies grew by 0.2 per cent per annum between 1980 and 1985, reversing the previously downward trend of 2.8 per cent per year from 1973 to 1980. Thus, the 1980s have seen a deterioration in the terms of trade for the developing economies while those for the industrialized economies have improved.

50. Instability in export earnings from the major primary commodities exported by developing countries has intensified significantly in the 1980s. Primary product prices continue to be more volatile than those of manufactured goods. Given the relative inflexibility of the economies of the South, and their restricted choices for adjusting to this instability, the consequences for them have been deleterious.

51. One of the consequences of sustained crises in the balance of payments has been the phenomenon of import compression. Developing countries have responded to these crises by restricting imports upon which their production processes depend. Thus, imports of machinery and equipment by all developing countries fell by 1.2 per cent per annum between 1980 and 1984, imports of industrial supplies by 2.2 per cent and imports of fuel by 3.5 per cent. Not only has this restricted the possibilities of production in these countries, but it has also constrained investment and growth.

#### 4. International capital flows and financial markets

52. The most visible aspect of the crisis of the 1980s has been the debt crisis, which originated in the changes in the international monetary system that took place in the 1970s. Important contributory factors were, inter alia:

(a) The collapse of stable exchange rates;

(b) The impact of rising oil prices on import payments by the least developed countries;

(c) The unrestrained lending of some major developed countries, and particularly their banks, seeking to profit from the third world's development aspirations;

(d) The rise of the Euro-dollar market and the introduction of variable-interest-rate loans;

(e) The dominance of multinational corporations in international banking;

(f) Inadequate SDR allocations to developing countries.

53. The net result was increasing indebtedness of developing countries which, coupled with the fall of commodity prices and floating interest rates, eroded the creditworthiness of most developing countries and severely undermined their ability to service debt. At the same time, international financial institutions have not been sympathetic to the developing countries wishing to restructure their debt.

54. Rather than seeking ways of restructuring debt, many creditor countries and multilateral financial institutions have sought to impose programmes of domestic adjustment on debtor countries. These adjustment programmes, rather than stimulating growth, have led in some cases to recession, exacerbated social and political tensions, and have been unmatched by symmetrical and equitable adjustment by the developed countries.

55. The near total halt of new and voluntary lending and the failure of a number of concerted financing arrangements supported by multilateral financial institutions are attributable to the reluctance of and often divergent views within the international banking community. In the 1980s, transfers of financial resources to the South for development are practically non-existent. On the contrary, a growing number of developing countries find themselves forced to make net resource transfers to the developed countries in the most violent decapitalisation process of the post-war period.

56. In 1986, there was no shortage of liquidity as international financial markets hit record levels and the net amount of financing channelled through international financial markets reached \$240 billion. Nevertheless, new lending to the developing countries by banks reporting to the Bank for International Settlements almost came to a halt, with the provision of a meagre sum of \$3 billion. The outflows from developing to developed countries, however, continued.

57. Official development finance (ODF) now constitutes the main financial flow from developed to developing countries. Total ODF rose from \$45.5 billion in 1982 to \$54.8 billion in 1987. However, over the same period, export credits fell from \$16.9 billion to \$2.0 billion, while private capital flows fell from \$66.0 billion to \$27.2 billion. In consequence, despite increases in Official Development Financing, financial flows from developed to developing countries fell from \$131.4 billion in 1980 to \$84.0 billion in 1987, a decline of 36 per cent. Taking price increases into account, the total 1986 flow would have bought only 60 per cent of the manufactured exports from industrialized countries that could have been purchased in 1980.

58. Although the above issues have been dealt with separately, they are in fact interrelated, reflecting the multifaceted nature of the problem.

59. Thus, for example, the debt crisis has reduced not only the current net flow of resources to developing countries, but also the access of those countries to future credits. This in turn has contributed to low levels of investment and growth. The problem of industrialization and development in the South thus urgently requires the resolution of the debt crisis. But a permanent resolution of the debt crisis depends in part upon the initiation of sustainable growth in the South to generate the resources that will not only allow the South to service viably borrowings necessary for development but also to reduce the level of borrowings required.

60. Similarly, industrialization of the South requires improved access to Northern markets for the South. However, imports of industrial goods from the South are perceived as a threat to jobs and incomes in the North. If, however, markets for Northern goods in the South were expanding, the case for mutual gains from freer trade could be made more strongly. This expansion of Southern markets depends upon the initiation of sustainable growth in the South.

61. The combination of financial flows, trade imbalances and declining terms of trade has meant that the 1980s have seen a massive transfer of resources from the South to the North. Estimates place the value of this flow at well over \$250 billion. To these visible and direct flows must be added illegal transfers such as those made through transfer pricing by transnational corporations. It is ironical that while there is a flow of resources out of developing countries, one of the most highly industrialized countries in the world, i.e. the United States of America, is attracting international resources at an annual rate of about \$140 billion through its domestic monetary and fiscal policies.

62. This reverse flow of resources is intolerable. In the 1960s and 1970s we sought international economic reforms in order to obtain a more equitable distribution of world income and production, and to exercise economic sovereignty. In the 1980s they are necessary in order to stop the looting of the South in violation of the sovereign right of nations to exercise permanent and effective control over their natural and other resources and economic activities.

#### IV. INTERDEPENDENCE OF THE WORLD ECONOMY - THE OBJECTIVE NEED TO RESUSCITATE THE DIALOGUE

63. The current economic and social crisis is one that no single nation or group of nations can solve in isolation. It is essentially, and increasingly, a world problem to which collective and mutual solutions have to be found. The South, however, participates in this interlinked global economy as an unequal and exploited partner. The economic, political and military power of the North is geared towards preserving its dominant and decisive role in the interdependent world.

64. This inequitable interdependence of the world economy is manifested at several levels, i.e. macro-economic policy, trade, finance, peace, disarmament and the environment.

#### 1. Macro-economic policy

65. A significant aspect of the 1974-1975 economic crisis was that it occurred simultaneously in all the OECD countries. This synchronisation was largely the result of an evening out of development, scientific and technical levels among these countries. It was also the product of the globalisation of production through the activities of the transnational corporations. Thus, falling economic indicators in one OECD country could not be compensated easily by relocation to another.

66. Towards the end of the 1970s there was a marked shift in OECD countries away from Keynesian policies in an attempt to grapple with the new phenomenon of high inflation, growing unemployment and declining growth rates. This "stagflation", as it came to be known, was largely attributed to "commodity power". However, the rapid growth in monetary aggregates, the build-up of inflationary expectations, and the demand-supporting Keynesian fiscal policies of some Western countries were also viewed as contributory to stagflation.

67. The industrialised countries attempted to deal with their problems by individually pursuing restrictive macro-economic policies. In particular, they restricted money supply, which contracted in real terms, and attempted to curtail public expenditure and borrowing. Interest rates escalated sharply as monetary policy was tightened and, as inflation rates dropped, real interest rates rose. In 1979, the United States Federal Reserve Board decided that interest-rate levels should be determined by market forces.

68. Interest rates on dollar-denominated assets rose significantly higher than those on other assets. This led to the appreciation of the dollar against other major currencies. Between the last quarter of 1979 and the end of 1982, the value of the dollar rose by nearly one third in both nominal and real terms. This in turn stimulated increases in real output in OECD countries other than the United States of America as United States demand for imports rose, accounting for half of the cumulative increase in real output of about 4 per cent between 1980 and 1982.

69. However, the central role of the United States in stimulating growth in the OECD countries has produced further problems. Increased domestic demand in the United States exceeded growth in output. Coupled with the appreciated dollar, this stimulated imports, causing the United States trade balance to swing into deficit. The situation was exacerbated by slackening demand in other OECD countries, import cuts by developing countries and the loss by the United States of its leading position in several high-technology products.

70. Between 1983 and 1985, for the first time in recent history the United States of America became a net debtor country. Its accumulated debt, according to UNCTAD, was \$250 billion, nearly half the total outstanding bank debt of developing countries. It is estimated that its debt will continue to grow to reach some 16 per cent of the national product by 1992.

71. It is also widely recognized that the macro-economic policies of the industrialized countries impact significantly on developing countries. High interest rates contribute to their debt financing problems. The strong dollar affects both real export earnings and government domestic deficits. The higher demand for imports in the United States, which might have been beneficial, affected primary commodities less than manufactures. The attractiveness of United States financial securities had a negative effect on investment in developing countries.

72. The macro-economic policies of the developing countries, often imposed as conditions for international financing, affect industrial countries also. Devaluation keeps international prices of commodities down. It is estimated that two thirds of the disinflation in OECD countries after 1980 was the result of the falling commodity prices. Low commodity prices in turn put pressure on us to increase export volumes in order to compensate for these falls, further depressing prices. There are other related reasons for the fall in prices of commodities, such as the increasing cost of holding inventories owing to high interest rates, thus putting pressure on us to sell at buyers' prices.

73. We would note that the depressed world commodity market is not a result of the free play of market forces, but a consequence of the attempts of the North to abort commodity power in the South.

74. The subsequent balance-of-payment crises and the falling incomes we face have led us, under advice and pressure from the North, to adopt restrictive monetary and fiscal policies, further dampening global demand.

## 2. Trade

75. Despite the differing rates of growth for trade in different countries, it is quite clear that mankind has come closer together through this medium. Generally, exports as a percentage of GDP grew from 10 per cent in 1950 to 20 per cent in 1980 for all countries. For most countries, foreign trade has come to play a greater part in determining economic activity levels than domestic factors.

76. The expansionary and contractionary policies of trading partners, changes in tastes and technology in foreign markets and trade régimes all came to have an overbearing influence on individual countries. It follows therefore that the policies a particular country pursued became the active interest of its trading partners. However, the power to influence the policies pursued by trading partners was, and still is, unevenly distributed. Thus, at the moment the South is being asked to open up its economies while the North is closing its own markets.

77. The interdependence of countries that is expressed through the trade medium also takes the form of increased interconnection between trade, finance and macro-economic policy. This is most clearly expressed in the increased role of finance in international trade in the 1970s. Developed market economies gained a lot of jobs and profits from selling to developing countries that were borrowing heavily on the capital markets.



78. The collapse of the par value system exposed trade to exchange rate fluctuations. This has complicated the task of adjusting production, employment and price structures for all countries, but particularly the developing countries.

### 3. Finance

79. One of the most disturbing trends in the world economy that began in the 1970s and accelerated in the early 1980s is the growing relative autonomy of financial markets from real economy, i.e. production.

80. Still, finance has played a major role in integrating the world economy, albeit unevenly, by facilitating trade and production. Furthermore, the monetary and economic policies of individual countries became increasingly linked, though in a relationship of inferiority to international financial markets.

81. The increased lending to the South from Northern banks awash with recycled petro-dollars in the 1970s led to an expansion of trade. Companies from developed countries came to rely on banks to finance their investments in and trade with the South.

82. For our part, if trade was to grow at a steady rate, we had to have access to a continuous flow of finance. The increasing role of trade financing meant that with the enmeshing of markets for different assets, we as borrowers became more and more vulnerable to fluctuations in international interest rates and in export and import prices.

83. The growing uncertainty also affected firms trading with us without direct links to the banks. As we have pointed out, any continued growth of world trade entailed a steady flow of finance. Thus when the "mood" of the financial markets changed in the 1980s, it was to have an adverse impact on trade and production. Coupled with our increasing indebtedness and diminishing prices for our exports, the results were bound to be of global dimensions. What makes the current world economic system so irrational is that the so-called changed "mood" of the financial markets is not in any way linked to the real economy, but only to purely selfish interests.

84. Thus the decline in net private lending and public credits to the South in the 1980s, i.e. from \$120 billion in 1981 to \$72 billion in 1987, also affects firms in the North interested in trading with us.

85. One therefore wonders who is the real beneficiary of the existing system - production and trade, or purely speculative and selfish interests.

### 4. Disarmament and development

86. World military expenditure in 1988 is estimated at \$1,000 billion, equivalent to the total debt of the developing countries.

87. According to the United Nations study on the relationship between disarmament and development:

(a) Some 50 million people are, directly or indirectly, engaged in military activities world-wide;

(b) In purely financial terms, world military expenditures by 1980 had reached \$500 billion or approximately 6 per cent of world output. This amount is equivalent to the value of gross fixed capital formation in all the developing countries combined, and some 19 times as large as all official development assistance provided in 1980 by the OECD.

88. Between 1980 and 1984, our own share in total world military expenditure averaged 15 per cent, being \$96.5 billion, \$95.8 billion and \$93.4 billion for the years 1982, 1983 and 1984. The respective figures for the developed countries were \$513.4 billion, \$527 billion and \$555.7 billion.

89. By any standards, this is a major drain on badly-needed resources. There is a host of factors to account for this pattern of expenditure, but we, as the Non-Aligned Movement, cannot ignore focal points of tension like Central America, the Middle East, Southern Africa, South-West Asia and South-East Asia, and their effects on arms expenditure.

90. The current efforts of the Union of Soviet Socialist Republics and the United States to reduce global tension need to be supported. But we believe that these efforts ought to be expanded to include the whole of mankind. The convening of the International Conference on the Relationship between Disarmament and Development at the United Nations in September 1987 was a welcome development. At the Special Ministerial Meeting of the Co-ordinating Bureau on Disarmament held in Havana in May 1988, the Movement noted with concern the enormous resources devoted to armaments when two thirds of the world population lives in abject poverty, and reaffirmed the immediate need to reduce military expenditure in favour of economic and social development.

91. The resources released through disarmament need to be re-channelled into development efforts in favour of the developing countries.

92. But most importantly, the North should realize that military expenditure does not constitute productive investment. Thus, any moves to reduce it would produce more honourable means to fight the phenomenon of "stagnation", without making the rest of mankind pay for it, particularly the impoverished South.

## 5. Environment

93. We would like to acknowledge and endorse the concerns of the World Commission on Environment and Development in its report, "Our Common Future" (1987). As we have always argued, the present problems facing us are the responsibility of all mankind, not because we would like to promote our own interests, but because we all live on one planet.

94. The interdependence of the world economy and the complex nature of the current crisis is nowhere demonstrated more clearly than in environmental issues. The serious environmental and developmental disasters between 1984 and 1987 that are noted by the Commission should be the cause of concern to all mankind. During this period alone, the Commission lists the following:

(a) The drought-triggered environment-development crisis in Africa peaked, putting 35 million people at risk and killing perhaps a million;

(b) A leak from a pesticides factory in Bhopal, India, killed more than 2,000 people and blinded or injured 20,000 more;

(c) Liquid gas tanks exploded in Mexico City, killing 1,000 and leaving thousands more homeless;

(d) The Chernobyl nuclear reactor explosion sent nuclear fall-out across Europe, increasing the risk of future human cancers;

(e) Agricultural chemicals, solvents, and mercury flowed into the Rhine River during a warehouse fire in Switzerland, killing millions of fish and threatening drinking water in the Federal Republic of Germany and the Netherlands;

(f) An estimated 60 million people died of diarrhoeal diseases related to unsafe drinking water and malnutrition; most of the victims were children.

95. These disasters reinforce our argument that the present crisis is an interlocking one and thus requires a multifaceted all-nations solution.

96. We also note with concern the current efforts of companies from some developed countries to dump industrial waste on the African continent. This practice is a most callous one, in that it takes advantage of the poor economic conditions in African States, whose deterioration is largely a product of the policies of major developed market economies. Thus, on top of the difficulties brought on Africa by the external environment, that continent now has to accept its waste.

97. The report confirms our concerns thus:

"If large parts of the developing world are to avert economic, social and environmental catastrophe, it is essential that global economic growth be revitalised. In practical terms, this means more rapid economic growth in both industrialised and developing countries, freer market access for the products of developing countries, lower interest rates, greater technology transfer and significantly larger capital flows, both concessional and commercial."

98. The fact that this independent Commission urges a return to multilateralism as a corner-stone for revitalising growth and development shows that our own observations with regard to the world economy are correct.

99. But what is of even greater significance about the report's findings is that if a global solution is not found to our current problems there will be no overall winner in years to come. Not only will we destroy the heritage of future generations, but our own very existence will be endangered.

## 6. Conclusion

100. Because of the interdependence of the world economy, the economic policies pursued by the North have boomeranged on the North itself.

101. UNCTAD estimates suggest that between 1982 and 1984 7 million man-years were lost in Europe and 1 million in Canada and the United States on account of import cuts in developing countries through ineffective demand. Similarly, the drop in exports to Latin America cost the United States of America 250,000 to 400,000 jobs a year.

102. Therefore, when we argue for the need for a new development consensus, it is not out of self-interest but in the interests of mankind, in accordance with the Declaration on the Right to Development adopted by the forty-first session of the General Assembly.

103. The global nature of the problems facing the world economy and, particularly, the economies of the developing countries, make global multi-faceted solutions necessary; the entire international community must participate in them, regardless of economic and social régimes and levels of development. The only way to reach these solutions is through a process of intense negotiations among all States, in a flexible spirit, devoid of any narrow national interest and in favour of achieving collective benefits.

104. The developing world's foreign debt, which becomes greater and more alarming every year, is a practical demonstration of the critical state of international negotiations to solve the most crucial problems of the developing countries. The main developed creditor countries, ignoring universal recognition that the solution to the foreign debt problem of the developing world must necessarily entail the adoption of common and concerted actions by creditors and debtors based on the principle of shared responsibility, hold onto conceptions that have proved themselves inoperable, selfish and unilateral, and refuse to conceive of a common strategy to search for just and long-lasting solutions to the foreign debt crisis of the developing countries.

## V. PROPOSALS FOR REVITALIZING THE NORTH-SOUTH DIALOGUE

105. The current state of the world economy, as assessed in the foregoing sections, amply demonstrates the urgent need for dialogue in the international community. That need is further underscored by the development in the world economy and international relations during the past decades, in particular the emergence of Japan and the European Economic Community as major economic powers, and the increasingly important role the developing countries themselves are coming to play

in the global economy. Production, consumption, trade and capital and money markets are becoming increasingly integrated by the technological revolution, particularly in communications. This has increased interdependence, both among nations and among issues and policies.

106. By 1992, the European Community could emerge as a single market; wide-ranging restructuring and reforms in the socialist countries of Eastern Europe could lead to their closer integration with the mainstream of the world economy. These significant changes will require considerable adjustments in the world economic system.

107. On the basis of the foregoing assessment, and in the full recognition of our wealth of experience on the North-South dialogue and its successes and failures - successes that followed from our collective action despite all the difficulties we faced; failures that resulted from a lack of political will on the part of a group of developed countries, from our weak positions at the bargaining tables and, sometimes, from our inability to take advantage of our own unrealized strengths - the Committee put the following proposals for renewing and revitalising the North-South dialogue.

#### 1. General considerations

108. Many of the items on the agenda of the North-South dialogue have been there for decades; in some cases action has been taken in the past. However, the 1980s have seen these past advances undermined, particularly in the areas of protectionism. The starting point for any revitalised North-South dialogue must be the implementation of previous commitments and the consolidation of past gains.

109. Although it is necessary for the South to continue to put forward concrete proposals relating to specific areas in which reform is required, it is important to emphasize that, because of the interdependence of the issues, a broad package of interrelated reforms is required. Piecemeal reforms, while they may ameliorate the situation, are unlikely to tackle the fundamental structural causes of the crisis. Furthermore, a piecemeal approach can be used to undermine the collective solidarity of the South.

110. It has been suggested in some forums that the problems of the South are of internal origin - in particular, that they are caused by policy mismanagement by Governments of developing countries. This is used as an argument against the utility of any North-South dialogue. It is suggested by others that the South should put its own house in order before it calls for significant reforms to the international economic system. Although there are important internal causes of the crisis that must be addressed, however, this does not mean that external causes should not be addressed as well. North-South dialogue is aimed at improving the international environment for development. It is therefore necessary for the North to make its own contribution to improving the environment in which the South can put its house in order.

111. The multifaceted nature of the problem implies not only that solutions will be multifaceted, but also that there is no single package of solutions which will apply across the board to all countries. It is necessary, particularly when addressing internal problems, to recognize that particular countries will require particular solutions. The conditionality attached to loans from the multilateral organizations seems to operate on the basis that there is a single model that can be applied with minor modifications to all least developing countries. The sovereign right of nations to determine their domestic economic policies in accordance with their own social, economic, political and cultural conditions must be recognized.

112. Because of the seriousness of the current crisis, two broad categories of reform are required. Firstly, a range of policy actions is required immediately so as to provide relief from some of the most immediate burdens of the crisis. Without such immediate action, there is little prospect of some countries pulling themselves out of their current intolerable situation. However, such action is not likely to be adequate in itself. Concurrently with providing immediate relief from the crisis, more permanent reforms are needed to correct the structural imbalances that have given rise to the crisis. Without such long-term reforms, it is likely that the crisis will continue.

113. In all proposals and at all levels of the North-South dialogue, special consideration must be given to the needs of the least developed countries, the islands and the land-locked countries.

114. In order to resuscitate the North-South dialogue, it is necessary that a new consensus on development be established. The concern that once existed for the problems of developing countries has been eroded, particularly among the Governments of the North. However, the concern of the people in the North for suffering in the South is evidenced by widespread public support for famine relief. Such concerned public opinion must be mobilized into support for eradicating the causes of suffering and not simply alleviating it. To this end, members of the Non-Aligned Movement should effectively encourage and promote co-operation between non-governmental organizations and institutions in the South and their like-minded and committed counterparts in the North to help crystallize a new consensus on development, to speed up the revitalization process in the North-South dialogue. In developing this new consensus and in pursuing North-South dialogue, the non-aligned and other developing countries reaffirm the objective of achieving a new international economic order based on justice and equity and recognize that the North is not homogeneous. Sympathetic countries in the North can provide useful support in attempting to secure a more equitable international economic system.

## 2. South-South co-operation

115. The current crisis has highlighted as never before the interdependent interests of both North and South in revitalising the North-South dialogue and regenerating global growth and development. However, it is important that the South take all steps it can to enhance its negotiating power. The brief experience

of commodity power in the 1970s, and the subsequent efforts by the North to undermine it, illustrated the potential within the South to use its powers to force the North to respond to its justified demands. The need for solidarity in the South is an accepted tenet of the Non-Aligned Movement that must be put into practice. The South must not only reaffirm its commitment to solidarity, but act upon it. It must develop the maturity to accept a solidarity of purpose despite differences along the way.

116. Greater support needs to be given to research into alternative uses for primary commodities in order to offset the declining demand due to use of synthetic substitutes. Institutions in the South devoted to such research need to be given collective support by Governments in the South. They should also attempt to monitor ongoing scientific and technological research that will further undermine primary commodity demand.

117. The commitment to Southern solidarity must not only manifest itself in the adoption of a united position at the negotiating table, but must also be realized in conscious and principled actions to take South-South co-operation beyond a slogan.

118. To advance its position in the North-South dialogue, the South must examine all possibilities of self-motivated action and self-initiated reforms. These should include effective mechanisms for co-ordinating and implementing its decisions and positions, taken in the South, by the South and for the South.

119. Our Movement has always been conscious of the need to increase co-operation among member States and with other developing countries. Thus, at the Pyongyang Extraordinary Ministerial Conference of the Non-Aligned Movement on South-South Co-operation in June 1987, ministers adopted a Plan of Action aimed at strengthening economic co-operation among ourselves and with other developing countries. The Plan of Action recognizes measures to be taken at the national, bilateral, subregional, regional and interregional and global levels.

120. As immediate actions within the framework of the co-operation programmes of the developing countries, the ministers recommended, inter alia, that:

(a) Governments give the Global System of Trade Preferences (GSTP) increased political support;

(b) The high-level intergovernmental technical group proceed with drafting the statutes of the South Bank so that the interested countries might get the Bank into early operation and invite other interested countries to join it thereafter;

(c) Networks be set up for quality control and standardisation, to remove the technical barriers in trade among developing countries and facilitate South-South trade.

121. The Standing Ministerial Committee for Economic Co-operation notes with satisfaction the progress made since the adoption of the Pyongyang Plan of Action in the area of South-South co-operation through the conclusion of the negotiations and

signing of the Agreement establishing the Global System of Trade Preferences (GSTP) in April 1988 at Belgrade, Yugoslavia. In order to use GSTP as a viable negotiating instrument and strategy in the North-South dialogue, as well as to enhance the co-ordination and harmonisation of the Caracas Programme of Action and the Non-Aligned Movement Action Programme for Economic Co-operation, we recommended that:

(a) Countries that have not yet signed the Agreement should do so;

(b) Those developing countries which have already signed the GSTP Agreement should urgently ratify it;

(c) The momentum generated at Belgrade should be captured to ensure the early coming into operation of GSTP and its eventual institutionalisation.

122. In full recognition of the Plan of Action adopted by the Extraordinary Ministerial Conference concerning technical co-operation amongst developing countries, there is a need to identify the requirements and capabilities of member States and also to centralize such information. This Plan of Action adopted by the ministers needs to be seriously considered and implemented.

### 3. Resource transfers and debt

123. One of the most important immediate items on the agenda of the North-South dialogue should be to reverse the trends of the 1980s, characterized by the net transfer of capital to the North by developing countries of the South. In this connection, a substantial increase in concessional resource flows is needed. Furthermore, there should be a growth-oriented debt strategy with shared responsibility of debtors and creditors as agreed upon at the seventh session of UNCTAD.

124. The international debt crisis is recognized as the over-arching aspect of the global crisis in the 1980s. Its ramifications reach into every aspect of development and global economic recovery. Until action is taken to resolve the debt crisis and its causes, it is difficult to envisage how sustainable global recovery is possible.

125. The solution of the debt crisis must be two-pronged. Firstly, the current situation must be tackled: action must be taken to relieve countries of the unacceptable debt burden that already exists. These actions may include:

(a) The full implementation of resolution 165 (S-IX) of the Trade and Development Board on retroactive terms of adjustment to facilitate cancellation of ODA debt;

(b) The creation of an international debt restructuring facility, as proposed by the New Delhi Summit of the Non-Aligned Movement in 1983. This will facilitate the writing-off of non-ODA debt and the rescheduling of private debt;



(c) The principle of limiting debt servicing by export performance criteria, as recommended at the Harare Summit of the Non-Aligned Movement and as implemented individually by certain debtor nations, should be more widely accepted. The South should pursue more vigorously the modalities of a collective response along these lines;

(d) The Non-Aligned Movement, in conjunction with the Group of 77, should encourage the exchange of information amongst debtor countries and foster modalities for enhanced South solidarity on debt issues, with a view, inter alia, to facilitating the identification by debtors of alternative options for debt rescheduling and to providing a basis for improving the South's negotiating position at the Paris Club;

(e) The proposals that have already been made by the Organisation of African Unity and the Latin American Economic System on the debt need to be seriously considered. They reflect the efforts of the respective regions to meet the creditor countries halfway, even though the costs are onerous;

(f) Furthermore, members and other developing countries are urged seriously to consider the South Commission's Statement on External Debt;

(g) Interest rates limits should be decided by the parties in such a manner as to provide greater certainty and continuity to development programmes. Interest rates and the rate of repayments should be reduced to levels compatible with economic growth and development in debtor developing countries.

126. These measures address the immediate problems created by the debt crisis. At the same time as taking concrete steps to implement them, measures must be implemented to deal with the longer-term factors underlying the present crisis. The only long-term solution to the crisis is improved development. This requires measures not only to improve productivity in the South, but also to improve foreign exchange earnings. This in turn requires international trade reforms.

127. The reforms to the international monetary system that we have recommended are also a necessary component of reforms to solve the debt crisis through a global political approach on the part of creditor developed countries and the debtor developing countries, together with international financial and banking institutions, on the basis of the principle of shared responsibility for solving the developing countries' indebtedness.

128. Current disorder and instability in the international monetary situation have aggravated the debt crisis. Therefore, urgent measures to improve the situation constitute an essential part of any effort to alleviate the debt burden.

129. Action needs also to be taken to increase the flow of concessional and non-debt-creating finance to the South. The North must reaffirm its commitment to meeting the 0.7 per cent target on ODA and must initiate actions to achieve this target. The North has long argued that it cannot achieve this target until their economies have recovered to previous growth rates. However, all the evidence demonstrates that it is the net flow of resources from the South to the North which

is fuelling recovery in the North; furthermore, the current crisis has emphasised the dependence of the North on the South for its recovery. Increasing ODA flows to the South are a necessary prerequisite for global recovery.

130. There is also a need to reverse the trend to bilateralism and to reconfirm a commitment to multilateral aid. This requires not only a commitment on the part of the North to increase funding through multilateral agencies, but also a resolve on the part of the South to seek all avenues of working through these agencies by struggling for their reform and thus changing their image in the South.

131. In the spirit of facilitating the increase in financial transfers to the South and re-establishing the principle of multilateralism, the recent World Bank general capital increase and the eighth replenishment of International Development Association (IDA) resources are welcome developments. But more needs to be done, and it is also important that the conditions attached to IDA funding be given a larger concessionary element and that access to those funds be extended to a wider group of countries than at present.

132. In view of the developing countries' urgent need for additional external financing, recent Japanese initiatives to recycle part of its current account surpluses in favour of developing countries should be welcomed, and other industrialized countries with large current account surpluses are urged to do the same.

#### 4. International trade reform

133. Increasing the flow of real resources to the South requires action not only on debt and aid but also on trade. The possibilities for expanded trade by the South have to be created, and the terms on which that trade is conducted have to be improved.

134. To enhance the possibilities of trade by the South, firm action has to be taken to combat the increasing protectionism of the North. In this regard, the North-South dialogue must seek to obtain a renewed commitment from the North to previously established principles, and the North must demonstrate its resolve to implement previously agreed policies. The commitments undertaken at the 1982 GATT Ministerial Session and at UNCTAD VI at Belgrade in respect of "standstill" and "rollback" must be fully implemented. The institutional mechanism of GATT should be reinforced, taking into account the interests of developing countries.

135. The principle of multilateralism in trade barrier negotiations, established as a corner-stone of GATT more than four decades ago, needs to be reaffirmed. The increasing recourse of the developed countries to voluntary export restraints, quantitative restrictions and orderly market-sharing arrangements and their use of national legislation to create barriers to trade must be arrested and reversed.

136. Modalities for surveillance of increases in protectionism must be improved and implemented. On a long-term basis, methods must be found for enforcing trade liberalisation in the North in accordance with international agreements. All

protectionist measures applied by developed countries should be notified to the surveillance body set up under the Uruguay Round.

137. The North should endeavour to overcome those structural rigidities in its economies which make it resort to protectionist measures, transferring the burden of adjustment to developing countries. At the same time, the North should take the political measures necessary to tackle issues such as agricultural subsidies, rather than exporting its difficulties to the South through protectionism.

138. The principles established under GSP must be reaffirmed. In particular, multilateralism, non-reciprocity and non-discrimination, which have been undermined in recent years, must be re-established. Furthermore, GSP should be extended to include all agricultural and tropical products.

139. In the Uruguay Round of GATT negotiations:

(a) There should be no linkage between trade in goods and trade in services, investment and intellectual property. Regarding negotiations on services, the set of principles and rules to be agreed upon should respect the objectives of domestic policies applied by developing countries to this sector and promote economic growth of all countries and the development of developing countries;

(b) The South must ensure that the Uruguay Round negotiations ends with results which take into account the interests of all the developing countries in trade liberalisation, in particular in the areas of natural resource-based products, tropical products, commodities and pharmaceuticals;

(c) There is also a need for an agreement on safeguards and dispute settlement mechanisms and retaining trade in textiles within the GATT framework;

(d) There is a need for liberalising agricultural trade by eliminating restrictions and distortions by developed countries, particularly those regarding non-tariff and tariff barriers and subsidized exports by bringing all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines and taking into account the development dimensions;

(e) Co-ordination among negotiators of developing countries on GATT matters should be encouraged with a view to a more effective promotion of developing countries' interests in the Uruguay Round;

(f) Every effort must be made to resist the attempts by the North to introduce non-trade-related aspects of the new areas under GATT which would fundamentally alter the established principles and functions of GATT, contrary to the interests of the developing countries.

140. The agenda for primary commodities established through UNCTAD needs to be acted upon with greater urgency. This includes:

- (a) Resuscitating and implementing the Integrated Programme for Commodities to make it operational without further delay;
- (b) Making the Common Fund for commodities operational without further delay, and supporting its operations and activities. Those countries which have not yet ratified the Common Fund Agreement must do so;
- (c) De-escalation of trade barriers against processed primary commodities and manufacturing value-added items exported by the South to the North. This would allow greater value added in the South and assist in the process of industrialisation;
- (d) Ensuring liberalisation of trade in tropical and agricultural products and those derived from natural resources, aimed at improving access of developing country exports to markets of developed countries;
- (e) Investigating modalities for reducing dependence of the South on international commodity trading firms; this is an area in which the potential for extensive South-South co-operation exists;
- (f) Strengthening both the STABEX of the Lomé Convention and the Compensatory Financing Facility of IMF. Their resource base and their coverage must be enlarged. The attempts to harden the conditionality of CFF need to be resisted.

##### 5. Reforming the international monetary system

141. The South has long called for a reform of the international monetary system, and the need has never been as urgent as at present. The need for reform is inextricably linked with the need for a solution to the debt crisis.
142. Steps must be taken to ensure that international liquidity expands adequately to meet any expansion in international trade that might come out of a global economic revival. There should be an expansion of SDRs, which should be linked to credit creation for the South.
143. Conditionalities imposed by multilateral financial and development institutions and the terms of aid determined by creditor developed countries hamper growth and development in debtor countries. It is necessary to adapt the conditionality criteria and the characteristics of the operations of the international financial institutions to the need to achieve adequate rates of growth and to adjust under conditions where external imbalances are caused by exogenous factors. Co-ordinating between IMF, World Bank and other multilateral institutions should not lead to cross-conditionalities.
144. The institutions established at Bretton Woods - IMF and the World Bank - are no longer able to fulfil their assigned functions, as evidenced by the chronic instability of the international monetary system. Those institutions are performing evolving and developing new roles. However, there is an urgent need to re-evaluate them in the light of the development imperatives of the new international economic order.

145. The Seventh Non-Aligned Summit at New Delhi in 1983 called for the convening of an international conference on money and finance for development to address these issues; it is imperative that this be acted upon. In view of the gravity of the international socio-economic crisis, such a conference is as urgently required now as the Bretton Woods Conference was in the 1940s. It should not take another major crisis to galvanise the international community into rationally reforming the international economic system.

#### 6. Macro-economic policies

146. The restrictive macro-economic policies adopted in the North need to be relaxed in order to stimulate world demand and growth.

147. It is beholden upon us in the South to rectify our internal maladjustments and to ensure that we improve the efficiency of resource use within our countries. We also need to improve the participation of our people in our economies so that they may benefit more fully from any fruits flowing from a revitalised North-South dialogue. The undertaking of such remedial measures should not, however, be made a pre-condition by the North for the flow of assistance to the developing countries.

#### 7. Industrialisation and technology

148. The reforms to the international monetary system outlined above and the resolution of the debt crisis should act to improve the net flow of resources to the South. The reforms to the international trading system outlined, and in particular the reduction of barriers to the South's products in Northern markets, will allow expansion of the South's markets. Together, these two sets of reforms will help to create an enabling environment in which the prospects for industrialisation in the South will improve.

149. In addition to these measures, however, industrialisation in the South requires unhindered access to technology on non-discriminatory and equitable terms. The Universal Code of Conduct on Technology Transfer should be expeditiously finalised and adopted. The Paris Convention should be revised to provide symmetrical protection of the interests of the suppliers and the recipients of technology. The objectives of the International Conference on Science and Technology held in Vienna in 1979 should be implemented.

150. Steps should be taken to develop local technological capability in the South. The Non-Aligned Movement should facilitate and encourage interaction amongst research and development institutions within the South. As already expressed by the ministers at the Pyongyang Conference on South-South Co-operation, we note with satisfaction that the minimal requisite number of signatory countries to the Statute of the Centre for Science and Technology has been reached and that it was agreed to make the Centre operational on a provisional basis. Member States who have not ratified the Statute are urged to do so forthwith. We also welcome the efforts of the Government of India to host an Intergovernmental Consultative Conference of Experts on New and High Technologies during 1988 to consider, inter alia, the establishment of a technology pool and arrangements for

preferential exchange and sharing of technology and joint ventures for technology research among non-aligned and other developing countries.

8. Economic relations with countries with planned economies

151. The co-operation of countries with planned economies with the South is a necessary one in the North-South dialogue.

152. Economic links of the South have historically been with the free-market economies. The South ought to intensify its efforts to improve its economic relations with the planned economies. To complement our efforts in this direction, countries with planned economies should incorporate their economic relations with the South in their current intensive domestic economic reforms.

153. In particular, the planned economies should make further improvements in their GSP schemes; make positive contributions to diversifying their imports from developing countries in manufactures and semi-manufactures; ensure the best possible terms and conditions of credit to developing countries; ensure when financing and executing countries' projects, that due consideration be given to such flexible and efficient modalities as would promote viably economic and technical co-operation; and give special consideration to the specific needs and requirements of the least developed countries.

154. Appropriate improvements are also required in existing payment arrangements governing trade between developing countries and countries with planned economies, including exploration of new comprehensive and multilateral approaches, so that the potential of equitable trade expansion between these two groups of countries can be fully realized.

VI. CONCLUSIONS

155. We have emphasized here that the need to revitalize the North-South dialogue is now more urgent than ever. The community of interest between the North and the South in collectively reforming the international economic system to make it more equitable towards the development needs of the South and the recovery of the North have been stressed in this document, at previous meetings of the Non-Aligned Movement, in other forums of the South, by independent commissions of the North and, indeed, by some Governments of the North.

156. The conflicts of interest between the two have equally been stressed in different forums. We do not call for a revitalization of the North-South dialogue in ignorance of these conflicts, but because we are only too aware of them. It is because of them and because of the potential threat they pose to the future of all mankind that we of the South wish to enter into a dialogue with the North. It is because of the manifest dangers posed to our global future by the inability of the current international economic system to ensure equitable and stable growth for all nations that we call for collective action to reform that system. We call upon the nations of the North to join us in such action, before the time for it has been passed.