UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/C.2/34/4
3 October 1979

ORIGINAL: ENGLISH

Thirty-fourth session
SECOND COMMITTEE

STATEMENT BY MR. K. K. S. DADZIE, DIRECTOR-GENERAL FOR DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION, TO THE SECOND COMMITTEE, 1 OCTOBER 1979*

Mr. Chairman,

Ten years have passed since the General Assembly adopted the International Development Strategy for the Second United Nations Development Decade. And five years have passed since the General Assembly met in special session and issued the Declaration and the Programme of Action on the Establishment of a New International Economic Order. Next year, the General Assembly, convening once again in special session, will seek to give new impetus to the establishment of the New International Economic Order, including the adoption of a new international development strategy for the 1980s and beyond.

For these reasons, and because it comes in the wake of a number of important conferences bearing on the New International Economic Order which have taken place in recent months, the current session of the General Assembly provides a natural occasion to take stock of the impact of recent developments in preparation for the work of the 1980 special session. With that in mind, it may be useful briefly to recall the essential features of the New International Economic Order, to place them in historical perspective, to relate the structural changes required for the achievement of the New International Economic Order to the current situation of the world economy and to underline the mutuality of interest between developed and developing countries in giving effect to those changes.

Mr. Chairman,

The characteristic feature of the Declaration and the Programme of Action on the Establishment of a New International Economic Order, elements of which were

---

* Circulated in accordance with the decision taken by the Committee at its 4th meeting, on 1 October 1979.

9p.

further elaborated in the Charter of Economic Rights and Duties of States, was its call for structural change. These documents are based on the premise that systemic changes must be made in the world economy to take the developing countries out of their condition of dependence on the developed countries, a dependence which is not only a result but also an important contributory cause of their under-development. The New International Economic Order aims at fundamental changes across the broad spectrum of relationships between developed and developing countries, so that the international economic system might operate in a manner that is far more equitable, as well as efficient, and far more supportive than is presently the case of the development efforts of the developing countries.

To this end it seeks, among other things, far-reaching modifications in the patterns of global production, consumption and trade, including a substantial enlargement of the share of developing countries in world industry and trade in industrial products. It seeks to enable developing countries to exercise full and effective control over the use of their natural resources, to give them a real say in international economic decision-making processes and to make those processes more effectual. Furthermore, the New International Economic Order seeks to restructure the framework of international economic and financial relations, including in particular the rules governing international flows of trade, technology, money and finance, together with the relevant institutions, mechanisms and decision-making processes. Central to the attainment of these objectives is the promotion of collective self-reliance by the developing countries for the purpose of exploiting the complementarities of their economies, achieving fuller mobilization of their resources, and strengthening their capacity both to evolve common policies and to take joint action to effect improvements in their relationships with the developed countries. It can thus be seen that the New International Economic Order is based on what are at once a set of principles and a set of goals - namely, equity, sovereign equality, genuine symmetrical interdependence, common interest, and co-operation among States, irrespective of their economic and social systems. Thus, the New International Economic Order focuses on qualitative changes in the world economy and seeks a transformation of its mode of operation.

This emphasis on structural change and institutional reform is best seen in a broad historical perspective. The expansion of the international economy in the past century and a half brought about a revolution in world production, consumption and trading patterns. While it was far-reaching, this expansion was marked by its unevenness, both as between and as within countries.

On the one hand, the widening of the international market by-passed large parts of the world, which as a result remained embedded in their traditional structures, with little or no surplus for investment or export. It is no accident that most, if not all, of the least developed countries of today failed to be integrated into the international economy. On the other hand, the deepening of the international economy, spurred on as it was by the internal dynamics of the metropolitan centres, led to structurally unsound, uneven and at best partial development within most of the developing countries. The economies of these countries became dualistic, with one part integrated into the international market-place and the other following age-old patterns of production and distribution. The integration of the undeveloped world into the international

/...

system was accompanied by a high degree of dependence. Patterns of production in developing countries were geared to the needs of an international market characterized by inequality of bargaining power, and their export sectors were dominated by foreign economic interests. These trends led to an international division of labour that put the developing countries in a subordinate position within the system.

The resulting economic and social patterns generally left the developing countries bereft of indigenous sources of dynamism. At the same time their Governments were in no position to counteract these tendencies, for colonialism was the rule, in either formal or more subtle forms. Indeed, the imperial presence and uneven development were, more often than not, two sides of the same coin, each providing the other with the incentives and the means for expansion and consolidation.

As the decades wore on, the economic structures of dependence gained sufficient strength from the widening and deepening of the international economy to survive with relative ease the removal of the formal trappings of colonial rule. Indeed, if the history of the developing countries in the period since the Second World War shows anything, it is surely that political independence is far from being a sufficient condition for the easing of economic subordination, and that developing countries acting individually can make only limited progress in restructuring their external economic relationships.

Mr. Chairman,

Political independence and economic subordination may be able to coexist for a time, but they cannot do so peacefully or for very long. Tension between the two is unavoidable. The conflict can be resolved - and eventually must be resolved - in only one way, namely, by establishing genuine interdependence. Hence the need for structural change so designed as to remove the remnants both of the colonial system with its distortions and of traditional or pre-colonial systems with their inherent stagnation.

To be sure, the international economy is not today what it was 30 years ago; on the contrary, it has shown a remarkable capacity for growth and change in the post-war period. New patterns of specialization have emerged in both developed and developing countries, there has been undeniable progress in education, health and industry in the developing countries, new technologies have been put to work, new energy sources have been discovered and utilized, and internationally trade and investment have shown remarkably rapid expansion.

All the same, the basic dynamics of the system have remained much the same, even if they have undergone changes of form and appearance. Developing countries, despite their efforts to secure indigenous sources of growth and to diversify their production, have followed a pace and pattern for growth largely determined by external factors. The international division of labour has retained its imbalance, and, with some significant exceptions, economic power has remained concentrated in the North. The processing, the transportation and the distribution of raw materials continue to be dominated by economic interests based in developed countries. Industrial exports of developing countries, though growing rapidly, are in the main limited to a small range of relatively simple products. These countries remain highly vulnerable to cyclical fluctuations in the developed countries and heavily reliant on development assistance and other capital flows. Dependence in such spheres as the development and transfer of technology and shipping remains high, and the international financial and monetary system, essentially under the control of the North, has shown itself to be inadequately responsive to the requirements of the developing countries.

This inheritance can only be remedied by structural changes aimed at providing much greater support than before to the development process and to impart a new dynamism to the international economy. The evidence from the past several years, taken together with the short- to medium-term outlook, suggests that the developed countries have entered a period of continuing stagnation and inflation which is not of a purely cyclical character. The resolution of these problems requires far-reaching changes. Simple recourse to monetary and fiscal restrictions, to cut-backs in consumption levels, to protectionist measures or to reductions in aid flows may provide temporary respite for individual countries but is bound to accentuate the underlying disequilibrium in the system as a whole. Fortunately, the recognition is emerging in the developed world that measures to expand effective demand and production capacities in the developing countries could make a vital contribution to the solution of current economic problems, not least because of the stimulus they would provide to increasing world demand for the lagging output of the capital-goods industries of the developed countries. Similarly as regards the socialist countries of Eastern Europe, it is widely accepted that a restructuring process providing for the full development of their substantial potential for trade and other exchanges would yield benefits for all groups of countries.

There is thus a clear basis of mutual interest in promoting changes in existing relationships and mechanisms which, as already stated, would make the international system work both more equitably and efficiently and which would provide better support for the development process and at the same time promote the orderly growth of the world economy.

Industry in particular is one sector where there is an awareness of the desirability of far-reaching modifications in the pattern of specialization, involving the expansion of industrial export capacity in the developing countries and complementary structural changes in the productive sectors of the developed market economy countries. Nevertheless, this awareness is in practice being negated by contrary policies of protectionism that serve only to reinforce the existing inappropriate pattern. Viewed from this vantage point, the interest of the developed countries in appropriate policies of industrial adjustment requires little emphasis. The developed countries significantly raise their productivity and the level of productive investment by shifting patterns of production towards sectors in which, because of their technological lead, they have a comparative advantage, and by importing increased quantities of new products from developing countries. For this purpose, active and anticipatory adjustment policies designed to secure the redeployment of industry on a world scale and the establishment of new productive capacities and lines of specialization in the third world will be

/...

required. Such a shift in the international division of labour will, by bringing higher returns to investment and lowering prices in both developed and developing countries, provides a basis for non-inflationary world-wide economic growth. It will also be of direct benefit to consumers in developed countries and thereby simultaneously reduce the real cost of labour and raise real wages.

Furthermore, accelerated redeployment of industry and import expansion by developed countries will promote their own recovery by stimulating increased lending to developing countries. As developing countries are enabled to increase their exports, they will be able to expand their borrowing without incurring excessive debt, step up their rates of investment, and enlarge their imports from developed countries, thereby reducing unemployment in these countries.

In the near term, the process of promoting the expansion of North/South trade can be accelerated by generating a much larger volume of financial transfers to developing countries under official auspices, including in particular official development assistance and balance-of-payment support. In fact, the willingness of developing countries to extend their external indebtedness in order to maintain import growth has served as an important prop to the exports of the developed countries in the past few years and has accordingly served to moderate recessionary forces in the developed countries. Indeed, it can be argued in this regard that even the non-oil-producing developing countries present, as they have done for the past five years or so, more reliable and dynamic export markets than the industrialized countries. Had developing countries followed the example of the industrialized countries after 1973 by cutting back both their growth and import to adjust to the oil price increases, the recession in the industrialized world would have been far more serious.

It would be unrealistic to expect developing countries to continue to accumulate debt at the same rate as in the recent past. What is now required is explicit recognition of the potential for counter-cyclical and expansionary lending, and determination to take the steps necessary to exploit that potential. The prevailing state of excess liquidity in financial markets, the feasibility of tapping them without imposing unnecessary strains on the budgets of developed countries and the debt burdens of developing countries, and the certainty that inaction in this area will exacerbate recession all argue for undertaking what was described, in the consensus resolution adopted by the United Nations Conference on Trade and Development (UNCTAD) at its fifth session, as the "massive transfer of resources". This would form an important part of the necessary transition to a new pattern of world economic growth to the benefit of both the recovery of developed countries and the development of developing countries.

No less important within the same time frame is the need to implement UNCTAD's Integrated Programme for Commodities, including its central element, the Common Fund. The consequent creation of a new institutional framework for regulating world markets for major primary commodities produced by the developing countries would promote stability in commodity markets and thereby moderate cyclical disturbances in the world economy. The Common Fund, as the key element of the Integrated Programme, must be enabled to play its catalytic role in this regard and in particular must be adequately equipped to do so. It would benefit both developed and developing countries by encouraging investment in new productive capacity and by reducing those inflationary pressures in the developed countries that derive from sharp and unforeseen commodity price increases. The Integrated Programme as a whole would progressively transform the world commodity economy by enhancing the participation of producer countries in the areas of processing, transport and distribution, the importance of which was underlined by UNCTAD at its fifth session. The operation of the second window of the Common Fund should also play a significant role in strengthening the commodity sector in the more disadvantaged among the developing countries.

The process of restructuring the international economy cannot avoid the problem of effecting an orderly transition to more tenable patterns of energy use. New and renewable sources of energy and new sources of oil are indispensable for the sustained and sustainable development of the world economy. The need of the developing countries for assured and increasing energy supplies for their accelerated development is particularly acute, as is their need for protection against shifts in their balance of payments brought about by the rising costs of essential imports. The industrialized countries too have a strong interest in the adequacy and assuredness of supplies. For the oil-exporting countries there is a no less natural concern to maintain the real value of their purchasing power, current and potential, in the context of inflation, fluctuating exchange rates and relative price changes, and to be assured of international support for their development efforts. Moreover the entire world community shares a common interest in the smooth operation of international money and capital markets in the context of the financial balances generated in the energy sector.

In these circumstances, there seems no alternative to stringent energy conservation measures, particularly in the major energy-consuming countires, including the adoption of technologies that are less wasteful of energy, combined with the rapid development and utilization of new and renewable sources of energy. In the developing countries in particular, it is imperative to undertake a massive investment effort to make available the required supplies of energy, renewable as well as non-renewable. It may be added in this connexion that the large-scale financial transfers entailed will add to the effective demand for the output of technologically advanced and high-productivity industries in the developed countries.

The food sector and problem of rural development in general will also require strong, forward-looking policies on the part of both developed and developing countries. New initiatives are called for in order to bring stability to the world market for food grains and to give full and prompt effect to the recommendations of the World Conference on Agrarian Reform and Rural Development. Moreover, the supply of investment funds, both internal and external, and the physical and technical inputs required to increase food production in developing countries and to strengthen their technological capabilities in the agro-industrial sector must be accelerated. Not least, developing countries - and for that matter, developed countries too - must come to grips with the institutional and social implications of making a rapid transition from a low-level subsistence agriculture often organized along traditional lines or as an adjunct to foreign-owned plantations, and of putting to productive use, especially for rural development, the unemployed

/...

and underemployed human resources that abound in much of the developing world. The early conclusion of international agreements on food commodities and the establishment of adequate reserves would also be of great assistance to the attainment of the food security objectives endorsed by the Food and Agriculture Organization of the United Nations.

Mr. Chairman,

The areas I have mentioned, although perhaps the most topical, are by no means all the essential components of the process of restructuring the international economy, a process that must encompass all the main points of economic interaction between North and South. One further dimension, however, that deserves emphasis is that of closer economic and technical co-operation among developing countries. The prevalence of "vertical" links between developing and developed countries and the paucity of "horizontal" interrelationships are results of the history and the uneven development that marked the evolution of the existing international economic order. As indicated earlier, increased collective self-reliance must therefore be seen as a goal of the New International Economic Order, and, at the same time, an instrument for the attainment of that Order, for it will give the developing countries a greater measure of economic influence and thereby help to redress the imbalance in bargaining power between North and South. The acceptance by the international community of the validity and potential, as an engine of growth and development, of the concept of economic co-operation among developing countries, based on the principle of collective self-reliance, must now be matched by effective material support for efforts to that end. Such efforts must encompass strengthening of the institutional arrangements covering economic and other interchanges among the developing countries, the expansion of co-operative arrangements beyond the merely subregional level, deliberate policies to exploit the complementarities inherent in the differing capacities and development situations of developing countries, and the extension to one another of preferential or special treatment. In particular they should maintain and strengthen arrangements for compensation in instances where, for examaple, an improved bargaining position for one group of developing countries producing raw materials leads to major losses for other developing countries. There would be advantage, too, in strengthening the network of mutual assistance in regard to relations with transnational corporations and banks. This can be promoted, for example, through the pooling of skills and experience, particularly in sectors such as energy where indigenous capacities are still very weak in the majority of developing countries; through the exchange of information on technology and investment; and through the channelling by developing countries disposing of surplus capital, direct to other developing countries, of funds for productive purposes.

All countries, regardless of their economic and social systems, have the responsibility of co-operating towards the establishment of the New International Economic Order, and indeed strengthened co-operation between developing countries and the socialist countries of Eastern Europe is an important ingredient of the New International Economic Order. The socialist countries can provide new and additional markets as well as sources of technology and equipment, which could widen the options available to developing countries, expand their trade and production and reduce their excessive dependence on the developed market economies.

/...

The expansion of such relations can be of considerable mutual benefit, it being of course understood that regardless of the historical origins of the weak position of the developing countries, these relations will be pursued on the basis of the principles underlying the New International Economic Order and should contribute to the attainment of its objectives.

Mr. Chairman,

As the Secretary-General has said on a number of recent occasions, the North/South dialogue has stalled. What little progress has been achieved has been limited and piecemeal. On many fronts negotiations have either lost their initial sense of purpose or have shifted their focus from bold changes to attempts at partial adaptation. In most negotiating forums several industrialized countries are more concerned with the short-term costs of specific proposals than with the longer-term gains of restructuring the international economic system. There is a growing mood of frustration which has been relieved only in small measure by the potential for future progress inherent in a number of decisions taken at recent United Nations conferences, and we risk confrontation and divisiveness if this potential is not expeditiously realized.

The difficulties lie less with the mechanisms and modalities of the dialogue than with the political commitment of Governments to the principles of the New International Economic Order. An important test of this commitment lies in the preparation of the New International Development Strategy which must necessarily address the whole spectrum of issues in the North/South dialogue, as well as appropriate policies to remove domestic constraints on economic and social development. While raising complex issues of a conceptual character, the purpose of the exercise is to arrive at a set of undertakings on the part of all Governments regarding the implementation of policy measures to accelerate the development of the developing countries and to contribute to sustained global development. Thus, it constitutes a means of linking together a wide variety of specific negotiations, identifying their interrelationships, setting priorities and establishing yardsticks for measuring progress. Furthermore, if the New International Development Strategy is to be formulated within the framework of the New International Economic Order and be directed towards the achievement of its objectives, then it must include operational targets relating to the restructuring of the international economic system, which incorporate agreement within a clearly defined policy framework on specific objectives, guidelines and time-tables for negotiation, in such fields as raw materials including energy, industrialization, and money and finance.

Moreover, the review and adaptation mechanism of the New International Development Strategy, once established, would over-see the implementation of the Strategy and make modifications and additions in the light of changing circumstances. In doing so, it would naturally need to take a comprehensive view of the development process and of the progress being made in the establishment of the New International Economic Order. Accordingly, the Strategy can be so designed as to ensure that the issues are not dealt with in isolation from one another, and that the implementation of the Strategy, including further negotiations - particularly those related to structural change - proceeds in an even-handed manner.

Since development is indivisible, the New International Development Strategy, must, in addition, include policy measures in developing countries for the full mobilization of domestic resources and for social development. Thus, by setting the specific negotiations aimed at establishing the New International Economic Order within the context of the New International Development Strategy, an appropriate balance can be struck between co-operative efforts to restructuring international economic relations, on the one hand, and, on the other hand, efforts at the level of the developing countries to promote accelerated and integrated development. Both types of effort are necessary to achieve rapid and genuine development, but there must of course be no implication that the policy commitments undertaken in the two areas should be regarded as symmetrical or mutually conditional in an operational sense.

The question remains as to the setting in which the energy issue - which all would now accept as appropriate for inclusion in the North/South dialogue - is to be handled. It seems clear that since the New International Development Strategy will have to establish guidelines and time-tables for negotiations on energy as well as other issues, it will inevitably establish linkages between them. In addition, the negotiations themselves will need to take into account the close relationships between energy and international monetary and financial issues. For one thing, as already stated, the transition to a tenable pattern of energy use will require a massive commitment of funds. Moreover, the operation of the market for oil has major implications on the balance-of-payments position of all groups of countries, and the rate of inflation has a significant bearing on the operation of the oil market. Likewise, the manner in which surplus oil revenues are deployed and the foreign investment opportunities open to the oil-exporting countries have an important impact on all groups of economies and on the international monetary and financial system. For these reasons, it would appear unrealistic to delink energy from issues of money and finance. Also relevant to discussions on energy are a number of other specific questions, such as aspects of the transfer of technology and the development of indigenous capacity in the energy sector, the role of transnational corporations and State enterprises, trade barriers pertinent to energy and its derivatives, and the development of energy-related industries. Any future discussions on energy and related issues - and such discussions must soon be initiated - must take these linkages into account.

Summarizing the foregoing, it has become more imperative than ever that the international community should move with vigour and determination, first, to mobilize the political commitment to make progress towards the New International Economic Order and translate this commitment into action across a broad spectrum of issues; secondly, to initiate discussions on energy together with key related issues and, thirdly, to proceed purposefully with the formulation of a comprehensive and dynamic New International Development Strategy which will comprise a co-operative effort by both developed and developing countries to bring about accelerated development and structural change.
