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INTERNATIONAL ECONOMIC AND
SOCIAL POLICY, INCLUDING
REGIONAL AND SECTORAL
DEVELOPMENTS

International economic security

Report of the Secretary-General

* A/44/50/Rev.1.

Summary

The General Assembly, in its resolution 42/165, requested the Secretary-General "to consult with eminent persons representing all regions on principles of international economic security in light of the present resolution, keeping in mind the existing mandates on development and international economic co-operation, and to submit the findings thereon to the General Assembly at its forty-fourth session through the Economic and Social Council". The Secretary-General has contacted a geographically diverse group of eminent persons to solicit their views on principles of international economic security. The present report contains an analysis of the replies received from the eminent persons and the conclusions and recommendations of the Secretary-General. The report states that the need for international economic security is the logical consequence of the increased interdependence of national economies. It is suggested that international economic security can be enhanced through a pragmatic and gradual approach which emphasizes concrete actions to build confidence and ameliorate common problems.

I. INTRODUCTION

1. In its resolution 42/165 of 11 December 1987, the General Assembly expressed its conviction "that the search for international economic security should be based on a constructive, universal, more comprehensive and continued dialogue within the United Nations and the United Nations system aimed at developing practical approaches and measures that contribute to improvements in the international economic system through reform and strengthening of the framework of principles and rules governing trade, monetary and financial relations within which countries operate".

2. It should be noted that international economic security has been discussed at previous sessions of the General Assembly and the Economic and Social Council. In 1987, in response to General Assembly resolutions 40/173 of 17 December 1985 and 41/184 of 8 December 1986, the Secretary-General prepared a preliminary report on the concept of international economic security (A/42/314-E/1987/77 and Add.1). As noted in that report, the United Nations in recent years has been actively involved in a variety of issues related to security in its wider context. 1/ Indeed, international economic security is related to other types of security and must be considered within a broad framework. Reference should be made in this connection, inter alia, to the deliberations at the forty-third session of the General Assembly on a comprehensive approach to strengthening international peace and security in accordance with the Charter of the United Nations (resolution 43/89 of 7 December 1988), on the linkages between international security and disarmament (resolution 43/76 A of 7 December 1988), on the economic and social consequences of the armament race (resolution 43/78 J of 7 December 1988), on scientific and technological developments (resolution 43/77 A of 7 December 1988) and on the environment (resolution 43/53 of 6 December 1988).

3. In requesting the present report, the General Assembly has sought to advance the dialogue on the issue of international economic security and to prepare international responses that could contribute to enhanced economic security. In resolution 42/165, the Secretary-General was requested "to consult with eminent persons representing all regions on principles of international economic security in light of the present resolution, keeping in mind the existing mandates on development and international economic co-operation, and to submit the findings thereon to the General Assembly at its forty-fourth session through the Economic and Social Council".

4. In response to the request contained in that resolution, the Secretary-General has contacted a geographically diverse group of eminent persons to solicit their views on principles of international economic security. The eminent persons were specifically asked for their views and suggestions on certain aspects of international economic security, focusing on:

(a) A more precise definition of international economic security and, in particular, its relationship with national economic security;

(b) The policies, instruments and institutions required to maintain and enhance international economic security and, in particular, the principles and

framework necessary to govern international relations in the future in such areas as international trade, commodities, services, science and technology, monetary and financial relations, capital and labour;

(c) The strengthening of existing international economic régimes, such as arrangements for trade within the General Agreement on Tariffs and Trade (GATT), for development finance in the context of the World Bank, and for monetary co-operation in the International Monetary Fund (IMF) in order to promote international economic security;

(d) The role and functioning of transnational corporations and of the financial and capital markets in a world economy with increasing globalization of production and distribution;

(e) The problems arising from the use of economic power as an instrument of foreign policy and the possibilities of alleviating or eliminating its adverse consequences; and

(f) Ways and means to enhance the role of the United Nations in maintaining and promoting international economic security.

5. The present report consists of two parts. The first contains an analysis of the replies received from the eminent persons; the second presents conclusions and recommendations.

II. ANALYSIS OF THE VIEWS AND SUGGESTIONS OF THE EMINENT PERSONS ON THE PRINCIPLES OF INTERNATIONAL ECONOMIC SECURITY

6. There appears to be growing sentiment that international economic insecurity is increasing. The reasons range from the potential and actual use of economic force as an overt weapon of foreign policy, the sharp fluctuations in international trade prices and the rise of protectionism, to a feeling of loss of control by national policy makers over their economies, particularly in international economic relations, to cite only some of the more obvious ones.

7. Expressions of feelings of insecurity have been aired at the level of national governments, intergovernmental and regional institutions, and in many meetings of the international economic organizations. Similar concerns have also been expressed in non-governmental forums, such as the International Meeting on Global Economic Security held at Moscow from 22 to 26 August 1988, which was attended by scholars and prominent figures from all regions of the world.

8. Perceived insecurity in the last two decades or so derives from other sources as well. Important developments have remained outside the frameworks of economic relations managed by the Bretton Woods institutions. Furthermore, the multilateral approach to international economic affairs that those frameworks exemplified has increasingly been questioned. New and less formalized mechanisms have emerged. In addition, there has been an overt disregard for the letter and the spirit of some

of the key agreements that were designed to regulate international economic relations in the post-war period. As a result, economic decisions and their repercussions have become less transparent. While these phenomena affect all countries, developing countries have proven to be particularly vulnerable and in danger of losing control of their economic destinies.

9. The contributions of the eminent persons summarized below provide a wide range of insights and perspectives on the question of international economic security. They also reveal a degree of ambivalence that continues to be associated with the concept of international economic security, and differences of opinion as to what measures might realistically be taken to enhance international economic security.

10. In their replies, the eminent persons discussed a wide variety of issues related to the question of international economic security. Those issues can be grouped under three broad headings:

(a) The concept of international economic security;

(b) Policies to maintain and enhance international economic security in different sectors;

(c) The adequacy of existing institutional frameworks, including the role of the United Nations.

Issues on which the eminent persons are generally in agreement are highlighted. Those on which a consensus clearly does not exist are identified as well.

A. The concept of international economic security

11. In their responses, the eminent persons referred to the forces transforming the global economy that have tended to increase the economic insecurity of States, particularly of the developing countries. They generally felt that it was entirely appropriate at this time for the international community to consider measures to maintain and enhance international economic security. But it was widely recognized that the concept of international economic security is a complex one that is difficult to define with precision. It is related to other types of security and must be considered within a broad framework. Several of the eminent persons saw a need to consider international economic security within the context of a system of comprehensive security.

12. There was a general understanding that international economic security would be enhanced by greater stability, predictability and reliability in international economic relations. Emphasis was placed on mutual trust and confidence as important elements in efforts to enhance international economic security. It was noted by certain of the eminent persons that international economic security is a relative, not an absolute, concept and that a certain degree of instability and unpredictability had always characterized international economic relations.

13. Referring to the difficulties involved in defining exactly and precisely the concept of international economic security, several eminent persons expressed preference for a different terminology. Rather than the term "international economic security", one of them thought that "international economic co-operation" should be used, while another felt that "international stability" was a more appropriate term.

14. Various eminent persons were of the opinion that further work was necessary in order to develop more fully the concept of international economic security. The point was made that the United Nations should co-operate closely with non-governmental organizations and experts outside of the United Nations in this task. The operationalisation of the concept could only take place gradually. Further thought and reflection need not prevent the international community from taking both short-term and long-term actions to deal with the causes of economic insecurity.

B. Policies to maintain and enhance international economic security

15. The international economic policies and areas of emphasis discussed in the responses were fairly diverse. Nevertheless, there was a measure of agreement as to some of the most important issues at the present time. The debt problem, protectionism and other trade issues, monetary issues such as fluctuations in interest and exchange rates, resource transfers, environmental concerns and the consequences of natural disasters, the stabilisation of commodity prices, the role of science and technology and the fight against hunger were among the topics referred to frequently. Some of these topics were identified as constituting prime sources of economic insecurity.

16. There was a clear difference of opinion among the eminent persons on a number of important and indeed crucial topics. Regarding the adequacy of existing international régimes for trade, money and finance, some of them believed that the existing régimes provided a viable framework in which future equitable growth and development could take place. While recognizing that some change and reform was in order, the same respondents saw no need for a complete revamping of the régimes devised at Bretton Woods and were furthermore sceptical of the feasibility of any new large-scale initiatives such as those launched in the 1970s.

17. Others felt that more radical changes in the existing monetary, financial and trade régimes were necessary, particularly in their decision-making structures, in order for economic growth with equity to be reactivated. The question of the integration of the centrally planned economics into these existing régimes was also raised.

18. Differences were also evident with regard to some specific issues. Certain eminent persons felt that the role of transnational corporations was crucial and generally positive, while others were much more critical and in favour of greater supervision and regulation of the activities of transnational corporations and the private sector in general. Some of the respondents felt that the exercise of

economic power was inevitable, while others felt that special measures to constrain economic coercion were warranted.

19. Regional co-operation and collective self-reliance were highlighted by several of the eminent persons as a way for developing countries to deal with economic insecurity.

C. The role of the United Nations

20. The opinions offered on the role of the United Nations were varied and, for the most part, cast quite generally. Implicitly, if not always explicitly, all the respondents recognized that the United Nations had an important role to play in enhancing international economic security.

21. The eminent persons made many suggestions as to the role of the United Nations. Some of these specific ideas were mentioned by more than one of them. There was considerable sentiment in favour of strengthening the United Nations and enhancing its capacity to achieve the purposes of the Charter. It was suggested that the United Nations act as the co-ordinator of international efforts to achieve enhanced international economic security. A practical measure would be for international economic security to be discussed during sessions of the General Assembly and the Economic and Social Council, with the help of prominent experts.

22. In the context of strengthening the United Nations, some proposed to re-examine the roles of both the General Assembly and the Economic and Social Council. Several saw merit in the idea of transforming the Council into an Economic and Social Security Council with greater responsibilities and enhanced authority. 2/

23. Related to these specific suggestions were more general reflections on the role of the United Nations. While recognizing that economic negotiations should in the first instance be conducted in the appropriate specialized agencies and forums of the United Nations, it was also felt that the United Nations could usefully contribute to the debate on some of the systemic economic problems that threaten the increasingly interdependent world economy. It was pointed out, however, that the United Nations and its agencies could be more vigorous and active proponents of international co-operation. It was also felt that the United Nations is most effective when it acts as an honest broker.

24. Early warning, as a function of the United Nations, was dealt with by several eminent persons. It was suggested that the work of the Interim Committee of the IMF is an incipient global alert mechanism. Another eminent person felt that an annual meeting between the Secretary-General of the United Nations and the heads of all regional organizations would constitute a type of early warning system. Still another felt that if early warning were to be effective it should be carried out by independent experts.

25. Concerning entities of the United Nations system, it was put forward that, as part of the reform of the specialized agencies and institutions dealing with money, finance and trade, the IMF, the World Bank and GATT should admit States with

different economic and social systems. Another view, however, was that those organizations should not alter their membership at this time.

III. CONCLUSIONS AND RECOMMENDATIONS

26. While there is no consensus as to the precise definition or the underlying utility of the concept of international economic security, a common-sense definition and approach to its operationalization is still possible. It is moreover a propitious time to try to advance the understanding of international economic security and identify concrete multilateral actions that would enhance it. There are clear signs that the crisis of multilateralism, which has prevented progress from being achieved in the past two decades, is coming to an end. There has recently been a dramatic improvement in international relations. Tensions between the major Powers have been reduced. The Security Council has begun to function as envisaged in the Charter and there has been significant movement towards the resolution of regional conflicts and considerable progress in negotiations to reduce the level of nuclear armaments.

27. In the economic and social fields, there is renewed acceptance of the imperatives of multilateralism. As was stated in the report of the Secretary-General on the work of the Organization in 1988: "When global problems call for global solutions, the value of the United Nations to Member States is apparent to all." 3/

28. The management of an increasingly global and interdependent world economy, characterized by a greater degree of pluralism, poses challenges to policy makers and offers fresh opportunities for mutually beneficial change. It also underlines the need to strengthen, adapt and transform existing institutions and régimes for the benefit of all. In this connection, the expansion of world markets could provide a powerful stimulus and rationale for intensified concerted actions by the international community to reduce the incidence of poverty and to expand the economic and social choices available to individuals and nations.

29. The objective of international economic security, as repeatedly emphasized by the eminent persons, is to ensure that a global normative and institutional framework is in place within which the goal of security for all could be achieved by enhancing the stability, predictability and reliability of international economic relations. It is generally agreed that enhancing international economic security could be achieved through appropriate international actions in a variety of fields that are recognized as prime sources of economic insecurity at the present time.

30. The following suggestions, focusing on aspects of international economic security, should not be construed as exhaustive or comprehensive. Rather, they should be viewed as pragmatic incremental steps that could contribute to sustained global development and, by the same token, to enhanced conditions of security for all. In this respect, the nexus of money, trade and financial relations, the preservation of the environment and questions relating to food security are important global concerns.

31. The debt problem, long a domestic issue for many countries, has now become a pressing major political and economic concern for the entire international community. The prevailing strategy, which has emphasize the need for domestic reform coupled with the influx of additional financial flows providing an important impetus to growth, has in fact led to a prolonged and protracted stalemate. Slow economic growth, inadequate finance, protectionism and depressed commodity prices have reinforced each other negatively over time, thereby bringing the process of development in much of Latin America and the African continent to a virtual halt and unleashing social and political turmoil. Regaining sustainable growth at an adequate level has eluded debtor countries, including some in Eastern Europe, whose debt burden has become excessive. As recent experience dramatically demonstrates, a choice between adjusting current account deficits and reducing demand has been established squarely at the expense of the long-term requirements for sustained growth and steady economic development. In addition, the short-term dislocations to societies brought about by this process and its impact on the welfare of their most vulnerable groups have been so extensive as to lead to calls for adjustment policies with a "human face".

32. A new strategy to deal with the debt problem based on debt-service alleviation and debt-reduction measures is gaining increasingly widespread acceptance. Several proposals have been put forward and now need to be translated into policy action. The United Nations could play an important part in this process, notably by providing a forum in which the scope of this emerging consensus could be broadened and in giving the necessary impetus to the search for a long-term solution to the debt problem.

33. This process of contractionary adjustment in the world economy might lead to further major dislocations, especially at a time when the export efforts made by developing countries, in general, and debt-ridden countries, in particular, are being frustrated by an increasingly protectionist global trading system. Dismantling protectionist walls and strengthening the multilateral trade system could avert this increasingly probable scenario. From a global point of view, a successful conclusion of the Uruguay Round of multilateral trade negotiations is of critical importance to the strengthening of an open trading system benefiting all countries.

34. At the same time, a reversal of the substantial deterioration of the terms of trade of developing countries and of declining or negative financial transfers of resources should be actively pursued by the international community. Attention should be drawn to the need to make the Common Fund fully operational without further delay, as but one element in providing greater stability in trading markets. There is also a need to enhance the volume, quality and predictability of development assistance flows.

35. The environmental threat is no less challenging. Perceptions regarding environmental issues have evolved considerably over time and it is now generally acknowledged that the utilization of the resources of the biosphere, the oceans and space requires a co-ordinated and global strategy. The consequences of the "greenhouse effect", of the depletion of the ozone layer, of transboundary movements of hazardous waste, of acid rain, soil erosion, desertification and deforestation and of man-made disasters could profoundly disrupt existing patterns

and structures of production, employment and trade and, accordingly, affect adversely conditions of human welfare everywhere. These problems need to be identified more adequately and made the subject of changes in the policies of Governments. A fuller understanding of the constraints within which sustained world development must be pursued is also necessary. At the international level, ways and means to strengthen the capacity to identify, assess, report and promote consensus on such emerging issues of global significance, and their implications for national and international policy, should be urgently explored and acted upon.

36. The past few decades have witnessed considerable progress in achieving higher food production levels. Yet hunger and malnutrition still affect large segments of the world population. The persistence of this critical issue is in part a reflection of continuing imbalances in food distribution patterns. The benefits of food aid and government policies have been counterbalanced by natural disasters, shortfalls in export earnings, and hence a curtailment of the import capacity of numerous countries and increasingly difficult access to external borrowing. For these reasons, the latest issue of the World Social Situation Report underlines the fact that: "In 1989, few problems in the food sector are likely to preoccupy policy makers in a large number of developing countries more than that of food security." (E/CN.5/1989/2, p. 73) A number of United Nations organs and agencies, most notably the Food and Agriculture Organization of the United Nations, the World Food Council, the World Food Programme and the International Fund for Agricultural Development, are working intensively to enhance food security. Yet there is ample room at the international level for further concerted efforts that would lead to increased food production and improvements in world-wide distribution. The dismantlement of protectionist barriers and subsidies in food trade, an intensification of food aid as a source of supply for food-deficit countries and for emergency situations and the maintenance of global alert systems to forestall and/or plan for possible contingencies are policy areas requiring priority attention and a co-ordinated approach.

37. As outlined above, the United Nations can make positive contributions to enhanced economic security in a variety of fields. The special session of the General Assembly devoted to international economic co-operation, and in particular to revitalization of growth and development in developing countries, to be convened in 1990, and the preparation of the international development strategy for the fourth United Nations development decade (the 1990s) provide opportunities for the world community to develop appropriate frameworks within which specific actions can be taken.

38. However, over the past several years it has become evident that the machinery of international co-operation must be adapted to enable the world Organization to play a more active and constructive role in multilateral endeavours. As is well known, a variety of reform measures have been put into place.

39. One area in which the United Nations could play an active role is that of early identification. It was suggested in the previous report of the Secretary-General on the concept of international economic security that the concept could be advanced by serious discussion of the development of early warning systems in the United Nations (A/42/314-E/1987/77 and Add.1). In this respect, the

General Assembly, in paragraph 5 of resolution 42/165, requested the Secretary-General, in monitoring the development of international and multilateral economic co-operation, to continue his efforts to enhance the capacity of the United Nations to focus on current and potential problem areas in the world economy in order to assist Governments in taking concerted measures, in particular to solve the development problems of developing countries.

40. The early identification, analysis and monitoring of world economic and social developments is already a major activity of United Nations organizations. Early warning systems in certain sectors are already in place. 4/ Others are in the process of being created at both the national and international levels, as in the case of actions to be undertaken in the context of the International Decade for Natural Disaster Reduction.

41. At the global level, United Nations early warning activities are characterized by a fragmentation of effort, so that the system's capacity for early warning is unfocused. By drawing on the capacities and potential of the system as a whole, there would seem to be considerable scope for developing an integrated approach to early warning at the global level. Early warning could be one of the concerns of a policy planning staff for development, the formation of which was suggested in the report of the Secretary-General on the work of the Organization in 1987.

42. That same report put forward ideas for the revitalization of the Economic and Social Council: "Today, there is no representative intergovernmental body in the United Nations that is able to provide authoritative guidance to Member States and to organizations of the United Nations system with regard to priorities of global programmes, the allocation of responsibilities, and the utilization of assistance resources." 5/ It was suggested that the Economic and Social Council transfer its deliberative functions to the committees of the General Assembly and become a Council of Ministers for Economic and Social Affairs with wide authority. The idea of an Economic and Social Security Council, raised by several of the eminent persons as well as other groups outside of the United Nations, has much in common with this suggestion.

43. The need for international economic security is the logical consequence of the increased interdependence of national economies. This complex, often asymmetrical interdependence reflects the growing internationalization of economic processes and structures. The quest for international economic security is thus the inevitable result of the increasing dependence of States on economic transactions with other States, primarily through foreign trade but also through direct foreign investment and other types of international capital mobility and labour flows. The greater permeability and interaction of national economies offer large potential benefits, but also generate new tensions and heighten the vulnerability of national economies to external factors. In this context, greater openness and mutual trust could significantly contribute to enhancing international economic security. Indeed, a pragmatic and gradual approach that emphasizes concrete actions to build confidence and ameliorate common problems may be the most practical way of keeping alive the vision of a world in which there will be greater economic security for all.

Notes

1/ In 1985, pursuant to General Assembly resolution 38/188 H, the Secretary-General, with the assistance of a group of governmental experts, carried out a comprehensive study on concepts of security which is contained in document A/40/553.

2/ As discussed below, a similar suggestion is contained in the report of the Secretary-General on the work of the organization for the year 1987. See Official Records of the General Assembly, Forty-second Session, Supplement No. 1 (A/42/1).

3/ Official Records of the General Assembly, Forty-third Session, Supplement No. 1 (A/43/1), p. 8.

4/ The World Economic Survey, 1989 (United Nations publication, Sales No. 89.II.C.1) contains a description of existing early warning activities.

5/ Official Records of the General Assembly, Forty-second Session, Supplement No. 1 (A/42/1), p. 7.
