

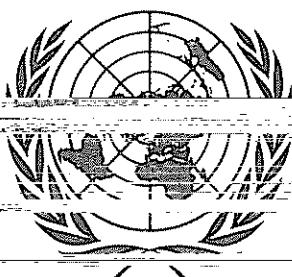
REPORT ON THE SEVENTEENTH SESSION

123 March - 1 April 1981

ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS, 1981

SUPPLEMENT No. 7



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E/1981/27

CONTENTS

	Paragraphs	Page
I. THE WORLD CONTEXT OF THE 1960S	7	1
A. The world financial system and its crisis	10 - 23	1
B. Underlying causes and costs of the crisis	22 - 30	6
C. Regional and international action on disarmament	31 - 47	9
Action by the developed market economies	36 - 42	10
2. Action by the developed centrally planned economies	43 - 46	12
3. Action by all countries on disarmament	47	13
II. REGIONAL ASPECTS	48 - 61	14
A. Regional contrasts and parallels	49 - 54	14
III. COUNTRY-ECONOMIC CO-OPERATION	62 - 102	18
A. Financial co-operation	70 - 76	19
B. Co-operation in education and governmental development	85 - 88	23
D. Co-operation in technology	89 - 90	24
E. Co-operation in trade, industrial development and	91 - 100	26
IV. IDENTIFICATION OF THE LEAST DEVELOPED TRADING DEVELOPING COUNTRIES	103 - 108	27
V. FUTURE WORK	109 - 113	28
Annex. LIST OF DOCUMENTS		29

INTRODUCTION

The Committee on Disarmament Planning held its seventeenth session at United Nations Headquarters, New York, from 22 March to 3 April 1983. Twenty-two

members of the Committee attended the session: Ismail-Sabri ABDALLA,

Khatijah AHMAD, Maria AUGUSTINOVICS, H. C. BOIS, William G. DEMAS,

José ENCARNACION, Jérôme Gerhard FELS, Celso FURTADO, R. K. A. CARDINER,

Shinichi IKEMOTO, Richard JOLLY, V. V. KOTCHENKO, L. D. TRUDEAU, T. YAMADA,

Emile MIGNOT, Tomo MIZANZA, Ignacio Flores MCAPOE, G. O. NIJANDWI, Corazon OJIAT,

Joizef PAJESTKA, I. G. PATEL and Germánico SALGADO. Two members were unable to

attend: Abdalatif Y. AL-HAMAD and Leopoldo SOLIS.

The Committee selected the following officers for the term ending on 31 December 1983:

Chairman: William G. Demas

Vice-Chairman: Maria Augustinovics.

and International Economic Co-operation made a statement in which he drew attention to the deterioration in the international economic situation, as uncertainty and anxiety induced mounting protectionist and regressive policies. Resolution of the prevailing global crises, in his view, called for a new approach based on the interdependence between the developed and developing worlds and tested measures for promptly conceived partial remedies built on a coherent system of global management.

In tackling important problems of global concern, the Under-Secretary-General pointed out that the heart of global misunderstanding was not only to differences in objective conditions but even more to the intellectual legitimization of those conditions. The need was to provide a new intellectual framework which would fully recognize the nature and causes of the current situation. The challenge of change could not be met if it were not properly perceived. The Committee had an opportunity to contribute to meeting that challenge.

4. The Under-Secretary-General for International Economic and Social Affairs

On the recent establishment of the International Development
Social Council, the Under-Secretary-General presented the Strategy for the Third United Nations Development Decade and the review and appraisal of its implementation. In this connexion, the Under-Secretary-General drew the Committee's attention to the Strategy as a form of reference which could be enriched and implemented through international negotiations, particularly global negotiations.

Substantive services at the session were provided by the Department of International Economic and Social Affairs of the United Nations Secretariat. The Committee was also assisted by the representatives of other participating States.

Co-operation for Development and the Centre on Transnational Corporations as well as by the representatives of the secretariats of the Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific, the Economic Commission for Latin America and the Caribbean, the International Labour Organization, the Institute for Training and Research, the International Labour Organization, the International Trade Union Confederation, the International Chamber of Commerce, the World Bank and the World Health Organization.

6. The Committee adopted the following agenda:

1. Election of officers
2. Adoption of the agenda

7. To facilitate the work of the Committee at its seventeenth session, two working groups were convened prior to the session at the headquarters of the Economic Commission for Europe (Vienna) and the Economic Commission for Asia and the Pacific (Bangkok), respectively. In addition, two visiting teams, each consisting of one Committee member and one staff member from the Secretariat, held discussions with officials of the Economic Commission for Western Asia and the Economic Commission for Asia and the Pacific. The names of the members of the working groups and discussion teams are listed below:

(31 October 1980)

ASIA

(Bangkok, 20-24 October 1980)

RICHARD OULLY

Li Zong

K. N. Raj (co-opted member)

Visiting team to the Economic Commission Germánico Salgado

(Secretariat)

The Committee expressed its appreciation for the documents that had been prepared for its seventeenth session. These and other documents are listed in the annexes.

Chapter I

A. World economic situation and prospects

Industrial countries, both market and centrally planned economies, the rate of

inflation has been rising steadily over the past few years.

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income has not merely stagnated but has fallen, sometimes very sizably, in most countries. This is particularly true of the less developed countries. The improvement in performance is in effect from 1981 which is the first year of the third development decade, but it has been spreading rapidly since 1984. It is now the international norm and is spreading to the community.

since deteriorated, further, often with very serious consequences for the mass of their population. World-wide inflation has been an important cause of this situation and has added to its consequences for the poor. Indeed, in many developing countries, even those with favourable records of economic growth, rural poverty has increased considerably. The consequence - malnutrition has often been rising among the rural poor, in which the living standards of the mass have been declining. In some countries, the rate of increase of the poor in the last two decades

1970 rates about 1 per cent in 1980 and an estimated 1 per cent in 1981. Again developing countries, which have been growing faster than industrial countries, indicate of the changes involved. Low growth in some industrial countries has led to cutbacks in health care, reductions in government expenditure at all levels, and deterioration in the level and quality of health, education and other social services.

16. A slowing down of economic growth has also appeared in the socialist countries. The growth rates during the second half of the 1970s were markedly lower than in the 1960s, while capital/output ratios have risen owing mainly to a reduction in the rate of growth of population and a fall in gross fixed investment in agriculture and infrastructure. Economics of the socialist countries have also been influenced by the worsening world economic situation, particularly by the deterioration in export possibilities and the growing costs of energy. Socialist countries which widely unilaterally have experienced the negative impact of the world economic situation, sometimes in a dramatic way. The socialist countries still had a large share in the global economy at the end of the 1960s.

in 1980 to be losing dynamism at an accelerated pace. The trade of developed countries, for instance, Europe, from a growth rate in 1970 of 8.0 per cent for exports

effect, the annual rate of growth in the volume of developing-country exports declined from 11 per cent in 1970 to 7 per cent in 1975, declined to 1 per cent in 1979 and went down to 2 per cent in 1980. To understand why, it is necessary to exclude the corresponding figures would be 9 per cent in 1976-1978, 8 per cent in 1979 and 2 per cent in 1980. The impact on the balance of payments of a large number of developing countries and on their capacity to service external debts, can be imagined but would take lengthy to detail.

10. If there is no reversal in these trends and if protectionism increases, the consequences become even more serious.

Hampering world trade, the developed market economies are likely to resort

developed countries which had been intensifying since the 1960s, seems now to have taken a turn towards inward-looking measures, mainly through the introduction of discriminatory measures, the narrowing of certain economic and social areas, and the reduction of imports. This has led to a decline in their productive efficiency, and thus to a deterioration in their international competitiveness. In addition, the developed countries are likely to increase their fiscal deficits, which will further depress world trade. The result will be that the developed countries will move to protectionism and continue to even greater implementation among the important economies, with disastrous and unfortunate effect.

11. To short, the international environment is deteriorating rapidly, and the serious situation may be emerging in the world economy. The need for a coordinated and effective international action is urgent. The following section discusses the impact of the various factors on the developing countries.

This section also highlights the need for a more effective policy of development, which must be made. This section is divided into four main parts: the economic situation, which already evident from 1970; the social situation, which includes the low productivity which is accompanied by stagnation. To support this analysis, it is necessary to consider the social structures and insufficient mobility of labour, reinforcing

were often rigid social structures and insufficient mobility of labour, reinforcing

increases of 1971, but in fact most energy economies have experienced significant increases in the prices of oil and other energy products in the supply and demand framework. So far, the price increase has developed at the end of the 1960s - making a major increase in prices inevitable. When unions were raised in 1973/74, the increase was large and sudden throughout. The nature of the policy response as well as the speed and magnitude of the adjustment process in most of the deficit countries added to the deflationary from the capital surplus, oil-exporting countries.

24. Large-scale international borrowing and the continued economic growth in the main market economies and exports and employment in industrialized itself largely the result of continuing long-run imbalances in the supply and demand for oil. This stabilizing element is now in jeopardy, however. Both demand for crude oil and the resulting investment in oil production are uncertain and volatile. The debt of oil-importing countries to oil-exporting countries has to be rolled over within only a few years. At the same time, rising deficits call for new financing, and present levels of interest rates discourage investment and make for an explosive growth of the debt burden. All this has given renewed urgency to the need to improve the channels for recycling the surpluses of some oil-exporting countries in ways that meet the legitimate interests of all parties.

25. In brief, with rising inflation over the 1970s, virtually all Governmental and developed market economies have been faced with a situation which has become clear that modern inflation is a highly complex phenomenon. Many of its causes are political and social in origin, and it is not always easy to identify the period of time which have instilled expectations leading for cumulative and accelerating inflationary pressure. Governments of most developed market economies are now convinced that monetarist budget policies slowed, but most of them find it difficult to pursue effective incomes policies, and the only tools that they consider adequate to the task are those of monetary and financial restraint. They are also faced with the increasingly difficult task of reducing inflation in terms of lost output and unemployment that a strenuous anti-inflationary effort by such means entails. It is also increasingly clear that these anti-inflationary policies are having a most dangerously constricting effect on the world economy.

26. While a measure of monetary, financial and fiscal restraint in the present context is no doubt necessary in many developed market economies, we would stress the need to place these types of restraint with their very heavy domestic economic and social costs, to the neglect of other policy alternatives.

2/ Secondly, the world-wide costs of these policies of restraint, including the adverse repercussions not only on other developed countries and millions of poor people in poor countries, is usually neglected in

international reporting around 1978, and for beyond the under 1 per cent averages of

cannot clearly be separated, it is noteworthy that changes in the international terms of trade accounted for an estimated 8% fall in incomes, in spite of this being a period when the price of internationally traded oil increased by about

externally induced changes. In the case of Japan, rapid economic growth and a basic social cohesion have seemed to permit the achievement of these conditions, thus enabling growth to be achieved with a low rate of inflation. In most of the other industrial market economies, the failure to fulfil one or more of the conditions

is serious. The very restrictive policies which have been adopted

fundamental of current inflationary trends, especially the recognition that some direct action on incomes will be necessary if inflation is to be slowed. Even those advocating strong policies of monetary and financial restraint, based on the

assumption that a market will be restored after a period of severe

be some \$550 billion, i.e. 6 1/2 per cent. below what it might otherwise have been. This is due to the falling cost of oil, but also to the associated tightening of monetary policy. In view of the direct impact of monetary policy, it is not easy to separate the effects of these various factors, but such calculations indicate the very high costs to the international market economy of co-ordinated adjustment and continuing structural imbalances in the existing international economic order.

29. The Committee has been informed by the International Labour Organization that there were 25.1 million unemployed in 1979, or 7.5 per cent. of the labour force. This compares with 21.5 million in 1978, 7.1 per cent. of the labour force. The rate of unemployment in the United States was 6.1 per cent. in 1979, compared with 5.8 per cent. in the 1970s and 2.8 per cent. even in the 1960s. Forecasts suggest that the average rate of unemployment will rise to 8.5 per cent. by 1985. Amongst the 25 million unemployed it is forecast that unemployment in the first countries will increase from 10 million in 1979 to 14 million in 1985.

30. The repercussions of these policies on almost every region of the third world, particularly on employment, food production and income distribution, have been very serious indeed, as indicated in chapter II below.

C. Priorities for international action

31. The Committee is convinced that solutions to all these problems can only be found in the context of a global framework of adjustment and co-ordinated action. Such solutions will need to take account of various viewpoints not only of market efficiency but of payments problems as well as inflation are manifestations of a global phenomenon of interdependence distorted by erroneous policies and rigid institutions.

32. As regards inflation, it must be recognized that it is a global phenomenon, needing a global frame of analysis and internationally agreed policy measures.

33. Protectionism cannot bring a long-term solution to world problems. It is a symptom of a malaise and not a cure for it. When protectionism brings some results, they can be seen only in further differentiation among the developed economies and in harmful effects for the weaker partners, particularly for the poor developing nations.

34. History shows how the opening of new markets can play a major role in economic expansion. Ironically and tragically, it is increased military expenditure which is fuelling the expanding demand in the world economy today, fuelling inflation, providing opportunities and resources to turn human need into effective demand.

in the near future, governments will ultimately have to reform their economic policies. But current policies are not attacking the causes for conflicts and a consensus for change is not yet in sight. In this document we have tried to identify some of the causes of conflict and to propose some ways of addressing them.

Even now, they should be actively preparing for a wider change in thinking and

27. The present worsening of the world economy has, at various moments, been attributed to a number of causes. The most important among them is the lack of international cooperation. This is particularly true in the field of trade, where the failure to take account of the interests of developing countries has led to a deterioration in their terms of trade. This is a long-term problem which cannot be solved in the immediate future, but it must be faced.

28. Some governments have shifted some of their focus towards the needs of their own citizens, while others have shifted some of their focus towards the needs of their own citizens. In general, however, governments have shifted some of their focus towards the needs of their own citizens, while others have shifted some of their focus towards the needs of their own citizens.

29. We cannot be optimistic about the prospects for a strong and decisive reversal of international policy - at least not in the short run. Although we are convinced that intensifying efforts to restrain world economic relations is one sensible way of addressing the problems of the world economy, we believe that such efforts will not be effective unless they are accompanied by a more limited number of initiatives. These we believe are needed to avoid further deterioration in world trade and output. Unless we do nothing to this deterioration, it could be catastrophic for the poorest nations and for the most vulnerable populations. The required.

(a) Developed market countries need to support much more actively further

(b) Bilateral development assistance, funded by oil-importing countries, should be increased and a larger proportion made available to the poorest countries. In view of the reported success of the UN Conference on Trade and Development (UNCTAD), the funds should be allocated to the low-income countries beginning as soon as possible.

(c) Practical and specific steps for greater co-operation between oil-exporting and oil-importing countries must be energetically pursued, in order to negotiate an end to the instability and unpredictability of energy prices and exchange rates of major currencies, as well as to encourage more effective participation. This, it is hoped, will be one of the main topics of the World Conference of Major Oil-Producing and Importing Countries.

Aggravated inflationary pressures now jeopardize the debt-servicing ability of oil-deficit countries. Rapid agreement on improved safeguard procedures should receive high priority.

(d) Additional support is needed to stabilize the highly vulnerable agricultural sector of the third world. The international community needs to cooperate with countries more generously to implement frontier stabilization policies.

(e) The World Bank and the International Monetary Fund should proceed rapidly to establish a food facility at the International Monetary Fund to finance short-term emergency food imports. This facility should be established in the third world. There should be no conditionality attached to its utilization. It should be financed by contributions from the developed countries and the Bank's own resources.

realized.

(f) The international community should devise a system of fair commodity control which stabilizes market stresses, food import needs, emergency supplies can be made at reasonable price levels. To this end, among other steps, a food crisis committee should be established to coordinate the work of the World Bank, the UN, and the World Health Organization.

40. These proposals parallel those of the emergency programme of the Brandt Commission 5/ whose report the Committee welcomed last year. A North-South summit, also proposed in the Brandt report, is now planned for October 1981. Many countries support those who look to the summit for initiating action in these crucial areas.

41. The further economic deterioration over the last year leads us to underline again our call for the urgent special assistance of the World Bank and the World Health Organization. In particular, the Committee feels that the former should assist countries which are starters on the path of development, but they include some two-thirds of the world's 130 countries, classified as the least developed. Their developmental financing may be enhanced by the World Bank's proposal to increase its lending to the poor countries through special crash programmes of assistance from the developed countries and the rest of the world.

42. We call on the World Health Organization to organize the first international conference on health planning and financing in November 1981.

to the countries of the subregion. Similar special assistance should also be

given to the countries of the subregion to assist them in the implementation of their national development plans.

International development banks should make other grants and loans. This should

be done in accordance with the principles of the International Development Strategy for Latin America, as well as to promote the accelerated social and economic development of the developing

countries, mainly basic areas, for continued and expanded economic, scientific and technological cooperation between the developed centrally planned economies and the developing countries.

(a) Development of natural resources;

(b) Construction and expansion of industrial and energy-producing capacities, as well as development of transport, agriculture and related sectors;

(d) Ensuring favourable conditions for the repayment of credits and loans given by the centrally planned economies so as to avoid excessive indebtedness and financial instability caused by debt servicing, thereby improving the general financial position of the developing countries;

(e) Assistance in finding qualified personnel in essential occupational categories, particularly in the field of technical workers, technicians and highly qualified technical personnel in the course of the construction and operation of projects;

(f) Assistance in elaboration of a methodology for formulating national social and economic development plans.

(g) New forms of co-operation among developed centrally planned economies and developing countries may also be envisaged. Centrally planned economies have had

carried out with the participation of a number of interested countries within a region and within the framework of long-term intergovernmental agreements and

in the present context if they provided for expanded trade, greater industrial,

46. The expansion of economic co-operation with interested developing countries should be continued, particularly among the larger number of countries, especially those with low per capita incomes.

3. Action by all countries on disarmament

47. We have already underlined the ominous ways in which rising levels of armaments threaten the security of all mankind. They also represent a serious economic burden, increasing inflationary pressures and the burden of public expenditure at a time when less inflationary forms of public expenditure, which generate more employment and contribute directly to community and family welfare, are being sharply cut back. It must be the duty of all states to reduce their military budgets and to do so in a spirit of mutual trust which occasions this disconcerting course.

Chapter II

REGIONAL ASPECTS

level (see E/AC.54/L.102 and Add.1). In all regions, there are countries which have made significant progress in economic development and improvement in the level of living, and others which have not done so well. In Latin America and the Caribbean, for example, there has been considerable diversification of agriculture and industry, and some of them have emerged as successful. In South America, however, it should be noted, however, that Brazil, Argentina and Chile, among others, have not fared so well in respect of increases in per capita real income, with per capita real product falling in some countries, and the economies remaining undiversified.

Secondly, at the same time, there are a large number of countries, in all regions, that have not made significant contributions to their own development. Such countries are characterized by low economic growth rates, high unemployment, high inflation rates, low average incomes and standards of living have continued to be their distinguishing characteristic. For many of these countries, the prospects for future development are not encouraging. The two groups of countries mentioned above are considerably behind by all indicators of economic and social progress (see E/AC.54/L.102/Add.1, tables 11 and 12). These countries account for a large majority of the people living in the developing countries, excluding China. Among these countries are many of the least developed countries, and the least developed countries.

Finally, notwithstanding these contrasts, three major development problems remain common to the development situation of all the developing countries. First, in most of the developing countries, there has been a decline

This has led to the extreme imbalance in balance-of-payments environment, growing import dependency and deterioration in the terms of trade. These three factors make up a situation of growing vulnerability and dependence for the non-oil exporting countries.

52. All the regional commissions have identified the food and agricultural sectors as one of the major areas of concern during the present decade if an increase in hunger and malnutrition is to be avoided. In the 1970s agricultural production grew at an average rate of 2.7 per cent in developing countries well below the 4 per cent growth target set for those countries during the Second United Nations Decade for Action for the Subsistence Sector. This is contributing to the broader structural problems of the world economy. Growing food gaps and widespread hunger in some areas of the world co-exist with exportable surpluses and problems of excess consumption and appalling wastage in others.

53. The situation with regard to food situation has become extremely serious. Food production per capita has declined in many countries in the Saharan and in many countries the increased need for food imports cannot be fully met because of foreign exchange problems. Drought has been recurrent over large areas. While a number of countries, particularly in Asia, have made important advances towards food self-sufficiency, over-all trends already indicate a sharp increase in the number of chronically hungry people, which is likely to persist during the 1980s. Although evidence is inadequate, malnutrition in many countries appears to have been rising sharply.

54. Fortunately, there is growing recognition of the importance of giving priority to agriculture and rural development in being given to the food policies conducive to reducing unemployment.

B. Regional Strategies 6/

The International Development Strategy of the United Nations for the Development Decade (1981-1990) emphasizes the overriding importance of developing countries, within the framework of its overall strategy, to achieve an average annual rate of growth of gross domestic product (GDP) for the developing countries as a whole during the Decade.

6/ The focus of the regional strategies will be on the following areas:
1. The agricultural and industrial sectors must both contribute to economic growth. The agricultural sector must increase its share of national income and productivity by devoting more land to cash crops and by increasing its contribution to the total value added in agriculture.
2. The industrial sector must emphasize its role in creating employment opportunities for the surplus labour force. It must also put more emphasis on reduction of food losses, agricultural processing, services, roads, livestock and fish, and improvement of productive structures.
3. The industrial base must be built through appropriate linkages between human resources, natural resources and technology in order to make the growth process totally generation oriented.
4. The African region also needs greater emphasis on the development of its natural resources.

on training, improvement of managerial skills and administrative mechanisms, as well as regional co-operation in trade and finance. The implementation of the current Transport and Communications Decade in Africa.

51. The various structural changes required are analysed in detail in the following section.

Because of its unique development pattern, industrialization of agriculture has been given a high priority at least in

developing Africa in recent years. In 1980, agriculture accounted for about 40 per cent of gross domestic product.

Implementation of the Lagos Plan of Action would require large amounts of additional investment which could come from both domestic and external sources.

52. The implementation of the Lagos Plan of Action will require substantial amounts of resources, taking the form of grants or soft loans and organized in such a way that the grants would particularly benefit the least developed and other low-income countries.

53. Asia is characterized by a large number of countries with different economic structures and development levels.

54. In South Asia, despite substantial economic growth over the last two decades, the proportion of very poor people tends to be similar in many countries. This shows how weak is the link between economic growth and poverty. Furthermore,

the Asian Development Bank's poverty strategy of the Economic and Social Commission for Asia and the Pacific identifies six objectives of development for the 1980s: high growth, fuller employment, distributive justice, fulfilment of basic mass needs, fuller participation in development (including participation of women and youths) and self-reliance.

55. In addition to effective national actions and substantial internal mobilization, large capital inflows will be needed. In South Asia, concessional flows will still be required to play a predominant role, whereas in East Asia,

the Asian Development Bank believes that the region can provide further possibilities for expanding the flow of funds within the region.

56. In the case of South-East Asia, the Asian Development Bank believes that the Asian countries and the Asian countries in the east and west, and in the context of collective regional cooperation, China has recently embarked on a new economic strategy to develop and restore balance in its economy, with emphasis on agricultural production, consumer goods, light industry,

57. This has raised in the region a new concern for ensuring the restoration and maintenance of dynamism and openness in the world economy, as well as for greater trade within the Asian region.

... growth somewhat less than that of the first four years of the 1970s. There are two major differences, however: first, during the earlier period, growth was primarily concentrated in a very small number of

oil-exporting countries, which required for all countries of the region. Secondly, in view of the deteriorating international circumstances, it is now less likely that the past performance, which was the result of a relatively rapidly growing open world economy, can be repeated. In the case of some of the oil-exporting countries of the region, however, no external constraints are envisaged in view of the likely improvement in the real price of their exports.

These factors are likely to accelerate economic growth and to attempt to strengthen the link between economic growth in the framework of the prevailing style of development would require profound changes in the external environment. In the non-oil-exporting countries, there is a need for policies aimed at increased domestic savings, improved income distribution, eradication of the worst aspects of poverty, and economic and social participation of all sectors of society. Furthermore, there is a need for substantial changes in the policies of the developed countries in order to facilitate the transfer of technology and know-how to the region while controlling inflationary pressures. There is also a need for improved international financial mechanisms in order to

ensure long-term, sustained economic growth both in oil-exporting and oil-importing countries. This will require a reformulation of development strategies based on a realistic assessment of technological opportunities, resource potential and emerging new markets. Such strategies will need to consider the feasibility and desirability of alternative development patterns - less imitative of industrial country patterns and more compatible with meeting the social needs of the majority of the population and enhancing society's resource base and the environment.

In addition to the other developing regions, the short-term scenario indicates relatively superior constraint, although it remains such within the region already large in 1970, has grown considerably since. Wealth and poverty coexist in many countries, raising the need for development strategies aimed at the creation of a more diversified and productive physical and human infrastructure. Furthermore, those oil-producing countries with accumulated financial surpluses will continue to be confronted with basic decisions concerning expenditure and consumption patterns - a problem which goes beyond economic growth to the broader questions of development styles. These countries also need to find secure and sound investment opportunities, particularly in production with regard to the latter, in view of the location of their investments within a framework of regional and

Chapter III

SOUTH-SOUTH ECONOMIC CO-OPERATION

It is now clear that the world's industrialized countries have failed to build an international economic order which will bring about the much-needed economic development in the South. It is therefore necessary that the South should be given fresh impetus for its own economic development. This is now more necessary than ever before because the traditional engine of growth - namely, the developed countries - however, the "trickle-down effect" of growth in the North on prosperity in the South has in recent years been considerably weakened. It is therefore necessary that the countries of the South should increasingly look more to economic relations with each other in seeking a new engine of growth. We therefore strongly urge that, without abandoning the objective of creating a more favourable environment for the South, the South should vigorously initiate the

opportunity for all countries, the South included, to vigorously initiate the process of strengthening South-South co-operation.

61. The broad lines of the concept of "solidarity among developing countries" embodied in the International Development Strategy for the World's Disadvantaged Peoples during the United Nations Development Decade (General Assembly resolution 35/56, annex 12), which underlines the commitment of developing countries to support each other in their efforts to achieve self-reliance, were endorsed by the Conference of Ministers for Negotiations of African, Asian and Latin American Countries, held in Dar es Salaam, Tanzania, in February 1979. Essentially this calls for greatly strengthening economic and technical co-operation among developing countries in order to build up a less dependent and more diversified economy.

62. Such efforts at greater South-South co-operation can obviously take place at three levels - subregional, regional and interregional. The subregional level is of particular importance in that in several instances it can provide the base on which regional and interregional co-operation can be built.

63. The very diversity of endowments with respect to human, natural and financial resources among the developing countries creates opportunities for South-South co-operative action. The other side of this diversity of endowment and level of economic development is that there is a great potential for the transfer of technology from the more advanced countries to the less advanced countries, which creates special opportunities for the relatively less developed countries of the South.

⁸⁴ See TD/226. For the activities of the Economic Commission for Africa, see also Vol. I, Report and Annexes.

countries found themselves faced with complex, the serious practical difficulties, which were largely made more difficult by the effects of economic recession among developing countries. These difficulties which could be intensified in the event of further severe economic recession, are essentially political and psychological, having to do with perceptions of national interests, comparative advantage. The only feasible solution is more effective and timely preparation for negotiations in order to increase the opportunities for "trade-offs" between the countries concerned. This should be done in a spirit of mutual respect and trust, and with realistic and a long view always taken. Not least, adequate detailed technical preparation must always provide the basis for negotiating both general and specific co-operation agreements among developing countries.

68. If resolute but realistic steps are initiated now to achieve a much higher degree of economic co-operation among developing countries, it is highly probable that for most developing countries by the end of this century, South-South economic relations will become as significant and stabilizingly important for the engine of growth as traditional North-South relations. This would make for a more balanced distribution of economic power within the international economy, and serve to reduce the dependence of the South upon the North for its economic development and dependence in the South. Stronger economic co-operation among developing countries will also strengthen the bargaining power of the South in its negotiations with the North for a new and more just international economic order. In addition, a healthier economic and political climate will even encourage a reduction of world tensions, since it is difficult to do this.

Given the resounding failure of the industrialized countries to pursue true South-South economic co-operation can be achieved through voluntary associations, governments and efforts in the following five areas:

(a) Financial co-operation;

(b) Co-operation in transport;

(c) Co-operation in food and rural development;

(d) Co-operation in communications;

(e) Co-operative research and development.

A. Financial co-operation

70. As clearly emphasized in the International Development Strategy, developing countries will continue to bear the main responsibility for financing their own development, and to augment external resources through a variety of sources. This includes transfers from surplus to deficit developing countries offer great promise in this regard, more than has been achieved in the past. hitherto the bulk of such transfers from the oil surplus oil-exporting developing countries have been effected through multilateral financial institutions of which the industrial countries are members. Recently,

continues financial economic reforms to fulfil and are discussed above. In addition, recovery from deficit developing countries' financial possibilities deserve serious consideration.

71. First, with appropriate arrangements and safeguards, joint venture development projects could be set up between developed countries and developing countries, particularly in the field of agriculture and rural development. Such arrangements could be made on a long-term and long-term underwriting basis.

72. Secondly, direct investment from and to developing countries could be increased. As mentioned in our 1980 report, developing countries - net oil importers and other developing countries needing the capital - should together work out modalities whereby equity investment from each other could be made available to both sides, thus similar investments from established advanced industrial transnationals.

73. Thirdly, direct recycling can be stimulated by creating investment funds. This

full-fledged development bank. It would, of course, have to be provided with a fairly large equity capital base. More important is the possibility of further expanding its financial resources by accepting deposits and issuing bonds. This would enable the new bank to combine, on a par with bond lending and loans, to finance acquisition of equity shares in third world multilateral agencies while such a bank would have the added advantage of being able to finance projects, it is hoped that it would give greater weight to financing food, energy and industrial projects and to making available the existing multilateral development banks.

74. Finally, while the aid programmes of the high income members of OPEC are to be commended, there is scope for improvement in its quality, both in regard to its commercial character and in the efforts of the oil producing countries to assist the low income developing countries irrespective of their usual religious, geographical, political and cultural backgrounds.

75. Within the existing framework of international capital markets, certain developments can and should be encouraged to facilitate the flows of capital from non-oil exporting countries to the deficit developing countries. The growth of a hard market in the capital surplus countries, particularly in the United States, that should be encouraged. Further broadening of the yen and mark financial markets would improve access to these currencies by deficit developing countries, particularly for the bottom-of-the-development scale and small and medium size countries. In addition, efforts should be made to stabilize the international dollar market, particularly the volatile United States dollar market.

The development and growth of financial centres such as developing
Barbados and Singapore have already contributed towards better access
to the markets by oil-exporting developing countries. It is important that such
developments should be carried forward.

B. Co-operation in energy

11. In the short term and medium term, the most effective form of regional
and subregional co-operation in energy between oil-exporting and oil-importing
developing countries would be arrangements under which the former would make
soft loans to the latter to enable them to meet, in whole or in part, the
needs of their economies. Examples in Latin America and the Caribbean
America and the Caribbean can be cited.

12. Trinidad and Tobago is now operating a scheme under which the Government
of Trinidad and Tobago, in 1972, of its oil, fertilizer and asphalt imported by its partner
in the Caribbean Community, the Cuban National Oil Company, S.A.CICO, and Cuban oil from the relatively less developed countries of the Caribbean
relatively more developed countries, interest being capitalized for a period
from the borrowing countries to the lending country.

13. Another similar arrangement was implemented during the last few years of
instance, between Venezuela, under which Cuban and Cuban production of
oil imports is loaned to Central American countries and some countries
in the Caribbean.

14. An alternative arrangement to meet the needs of seriously affected countries
from the exporting to the importing countries equivalent to all or part of the
domestic costs in respect of certain specific imports over a certain
countries benefiting should establish domestic prices of oil at the world parities
to discourage wasteful use of the commodity. 9/

15. An additional form of regional co-operation in energy could include:
a guarantee by the oil exporters of supply to oil-importing developing
countries; 10/

16. Arrangements along these lines have also been made by Middle
Eastern and African oil-producers on a somewhat informal basis.

(h) Further joint development of hydroelectric and other renewable energy

schemes or broadscale

(i) The interconnection of national electric power grids

(d) Production by the oil-exporting countries of fertilizer and petrochemicals for other markets in the region or subregion or in developing countries generally;

(e) Joint programmes of research, field testing and dissemination of information relating to the development of energy systems and their forms of energy;

(f) Technical assistance from those countries with the necessary experience and expertise to others in the negotiation of exploration and production contracts with international oil companies which could therefore obtain the information required to develop their own oil resources.

1.1 Establishment of local joint venture commissions and subregional energy commissions to facilitate the establishment of mechanisms for the promotion of energy conservation, accounting and planning and to supervise inventories

1.2 Regional co-operation in areas such as food demand, the economy, agriculture, industry, mineral resources, environment, or energy, for common regional activities. Most of the variables in the energy development process lie outside the energy sector proper. For this reason, with regard to energy issues, there is a need for the development of less energy intensive, ecologically sustainable development strategies. A whole range of issues must be considered in order to achieve this objective.

However, one of the major difficulties of the economic and social criteria common to each region. It is impossible to manage the trade-offs between food, animal food, energy, minerals, environment and other factors in a balanced way. This requires a regional approach to energy issues. The following table provides some initial guidelines and detailed suggestions for the development of regional energy initiatives in research, development and operational areas. It also provides a framework for appropriate regional energy policy instruments and the identification of endowments and priority needs of developing countries.

All in particular, in-depth studies are required in areas such as food production and the associated distribution systems, industrial production systems, the energy

sector, transportation, mining and the distribution of food products. Regional co-operation on policy studies or such investments would be very valuable - together with studies of appropriate policy instruments for low-income countries. In addition, regional co-operation is needed in the enhancement of existing energy systems by introducing greater efficiency of existing energy systems through better

C. Co-operation in food and rural development

85. An emphasized earlier, food shortage and malnutrition now mark among the most important problems of developing countries. Given the never-ending demands for the continued expansion of agriculture, there is a need to develop more balanced agricultural and rural development.

86. The Committee would like to stress the need to establish a balance between

developing resources and rural populations. Sustainable development requires attention for their development. Past experience indicates that the drive for industrialization has often been met by a neglect of agriculture and food production. This will not be adequate for the future. Whatever efforts are made, the rural population should not be made at the expense of agriculture and rural population. The competition between energy and food is not only for limited investment resources; it also raises allocation problems of energy resources linked with agriculture, such as for mechanization, fertilizers and other chemical products. Land use for the production of food commodities versus fuel chemicals or for other purposes, can affect the availability of land for production of food or for fuel.

87. In a number of specific areas, closer collaboration among the developing

countries could be greatly improved. There is an obvious opportunity for capital-surplus developing countries to

and guarantees for investments.

(1) In order to develop greater technological capability, it is essential to adapt technology to the social and economic environment of third world countries and to build a pool of indigenous manpower. There is a need for more regional research and training activities and for greater exchange of information thereon. These activities should not only contribute to more relevant training in the regions but also stimulate more pragmatic approaches and technologies adapted to the social and economic environment of their regions. They could assist countries in adopting foreign technology to local needs. Low cost pre-harvest and post-harvest technologies, technologies relevant to irrigation, research on seeds and environment, training for extension workers, the smaller and medium farmers and similar mechanisms for the transfer of technology through joint ventures and similar arrangements, are needed for training and for processing suitable for landless and neeeded.

(2) Commodity agreements for the main agricultural crops are needed. In

is an area where greater regional co-operation to prepare the ground more thoroughly for negotiations is considered essential and unavoidable.

(d) Food storage has an important part to play in strengthening national and

Food stocks but by helping to stabilize food prices through better marketing and

Regional and Subregional agreements on food stocks and storage have a major part to play in achieving food security.

88. The scope for South-South co-operation in food and rural development can be greatly increased by closer collaboration and developing continental efforts to reduce food insecurity and to improve the nutritional status of their populations. This will require that developing countries devote more resources to rural sectors and to agriculture. In particular, they need to pay more attention to investment in rural economic infrastructure such as the construction of dams, canals and roads and the creation and efficient organization of supporting services such as agricultural extension, rural health centres, educational and research

institutions, first-time need to give more attention to the increase of agricultural output and total income of small farmers, marginal farmers and landless labourers

including women, use the limited resources available to them. Approaches and

access to markets and services would both increase output and help alleviate poverty and malnutrition.

D. Co-operation in technology

89. South-South co-operation has been for upgrading traditional domestic technologies, for developing more appropriate technologies which make fuller effective use of their local resources and for screening and adapting imported technologies.

90. South-South co-operation in technology can also be promoted by more technical co-operation among developing countries in both the public and private sectors of

developing industries in each other's professional, commercial, technical and financial institutions. It can also be promoted by encouraging joint ventures between developed and developing countries. It should be emphasized that such technical co-operation can take place at the subregional, regional and interregional levels.

E. Co-operation in trade, industrial development and infrastructure

91. Many developing countries expect from export growth a significant contribution to their internal development. For this, much will depend on whether the developed countries, particularly the industrialized countries, will open up their markets to more market access more securely. Contracting a newly emerging process, the industrialized countries is a pre-condition for overcoming the present stalemate in world economic relations.

92. Trade picstion of developing countries for the world market is also changing. According to recent statistics, economic methods resulting in co-operation among developing countries have been adopted by many countries. Trade in manufactured goods has increased significantly during the last ten years. The share of such trade in goods other than fuels expanded from one-fifth to more than one-fourth of developing countries' total trade. This was the consequence of faster growth in regional trade and interregional trade among developing countries. Trade in manufactured products played a particular role in this process. These trends are likely to continue, but need to be supported by specific policy measures.

93. Developing countries are an important market for exports of manufactures from developed countries, accounting for nearly two fifths of their total exports. In order to increase their market share, higher rates of growth of the developing countries, including measures for increased economic self-sufficiency, are essential factors in helping to sustain the growth of the world economy.

CAPITAL

94. On the regional and subregional levels, existing mutual preference schemes have gained importance for actual trade. This applies especially for Central and South America, Africa, and East Asia. New preference schemes are being established, and there is a tendency to expand existing ones. These schemes, however, are still unexploited, for trade expansion and co-operation among the developing countries. At a time when the impulses which come from the industrialized world are highly uncertain, collective self-reliance among developing countries is more urgent than ever. It is a means of maintaining economic dynamism and developing a mutually beneficial division of labour among themselves.

95. Developing country-wide tariff and other trade preferential arrangements could be an important factor in mobilizing the resources of the developing countries for trade expansion among themselves and within the world community among the developing countries, thus contributing to the international community as a whole.

96. The removal of trade barriers does not tell the whole story. Close economic co-operation - increasing business and technical integration - also depends on co-operation in production. This, however, can only take place if there is a favourable industrial structure, the creation of which is both a priority, and a task of, regional co-operation. The transport and communications system is in poor condition in many parts of the developing world. Poor roads, lack of energy factors and lacking too, trade credit payments arrangements, are obstacles to regional and subregional co-operation. In many cases, the lack of industrial development needs that, the participation of the private sector, in joint ventures, industrial agreements, covering joint investment projects, would also help, in many cases to bring about rapid progress in regional integration.

97. Co-operation and joint efforts are essential, particularly but not exclusively, in the area of subregional integration. First, it is necessary in developing countries to establish a framework for regional integration, and those countries that are engaged in regional integration should deliberately achieve through joint and co-ordinated action, a production and technological base. High level of economic co-operation can be achieved by appropriate action to common measures,

98. A fundamental instrument in all these cases is the multilateral bank. As far as possible, it should be able to finance projects which are compatible with the productive and trade activities. It would operate with the aim of assisting national enterprise in the markets of the countries that are in a position to do so. It should be able to take into account the local conditions, the local resources available; and conform to the development objectives of the countries concerned. The operation of integration among themselves can be achieved merely by signing formal treaties. They have to accept the basic principles of the United Nations Charter and the principles of co-operation or development.

99. Co-operation in production for export of manufactures to the developed

semi-industrialized developing countries. Joint identification of new export-oriented industries in the light of detailed market investigation and exchange of information on industrial investment plans, whether financed by local or foreign governments, would facilitate promotional efforts and the consequent implementation of joint ventures.

Advanced developing countries

99. In the case of the advanced developing countries, they have to assign priority to the

construction of new materials and structures, especially those required for the

development of agriculture, industry and communications, and the improvement of

infrastructures for import production and labour markets in the

countries concerned. This will help to develop their economies and increase their capacity,

especially in the field of communications, to attract foreign capital, to develop

regions. An effective road and communications system would contribute

to the development of agriculture, industry and communications, and the improvement of

infrastructures for import production and labour markets in the

countries concerned. This will help to develop their economies and increase their capacity,

especially in the field of communications, to attract foreign capital, to develop

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Chapter IV

IDENTIFICATION OF THE LEAST DEVELOPED COUNTRIES

103. In General Assembly resolutions 34/121, 34/123, 34/124, 34/126, 34/131 and 34/132, the Committee for Development Planning was requested to consider the inclusion of Djibouti, Equatorial Guinea, Guinea-Bissau, Sao Tome and Principe, the Seychelles, Togo, and certain newly independent developing countries in the list of the least developed among the developing countries. The Committee was asked to carry out this exercise on the basis of the existing criteria and the most recent data relating to those criteria and, according to General Assembly resolution 35/106 of 5 December 1980, without any prejudice to any future overall review of the list of the least developed countries.

104. On the basis of the principles established by the Committee in previous reviews for the updating of the criteria, the Secretariat provided the Committee with the relevant data relating to the criteria and the most recent available data on per capita GNP, share of manufacturing output in total GNP and the rate of adult literacy for the countries concerned (E/AC.5/75, 107). The information provided by the Secretariat was checked by the Member Governments. From this information the Committee has concluded that only Guinea-Bissau meets the criteria required for identification as a least developed country. The Committee therefore recommends that Guinea-Bissau should be added to the list.

105. The Committee wants to underline, as it has done in earlier reviews, the need for using the category of the least developed countries in an appropriate and flexible manner, taking into account the allocation of international assistance in different fields.

106. In the present exercise, the Committee appreciated the work of the United Nations system in identifying the least developed countries. The experience of the United Nations system in the field of economic development, especially in the field of island economies, has been useful. The work of the United Nations system in the past years in reviewing the list of the least developed countries has led the Committee to conclude that the criteria used for the identification of the least developed countries has become highly desirable and that the possibility of revising the present criteria deserves to be explored at an appropriate time.

107. The Committee also noted that the identification of countries requiring special attention deserves more attention. The United Nations system has recognized different groupings of disadvantaged developing countries, but several of them overlap. Least developed countries, developing island economies, land-locked, most seriously affected countries. The possibility of combining and tidying up the various groupings should therefore be explored.

108. The United Nations Conference on the Least Developed Countries will be

Chapter V

FUTURE WORK

109. In its future work the Committee intends to focus on particular aspects of problems in the North-South agenda, hammering the effective implementation of the International Development Strategy for the Third United Nations Development Decade. As usual, the Committee stands ready to examine other development issues that the General Assembly and the Economic and Social Council consider appropriate.

110. In preparation for the tenth session to be held in 1982, the Committee will focus on the following issues:

- The Committee will continue to focus on the implementation of the International Development Strategy for the Third United Nations Development Decade, particularly for the issues of food and health.
- In addition, at its ninth session, the Committee will take up the following other important issues relating to development patterns and styles, including training and education:

111. With the assistance of the Departmental Committee on Economic and Social Affairs, the Committee will establish a working group for the 1982 session. The working group will consist of 10 members appointed by the Bureau, which will meet in New York for a two-day meeting before January 1982 to determine the composition of the working group and to select two selected members so as to anchor the Committee to benefit from the experience of the Bureau. The working group will be responsible for preparing an annotated agenda for the 1982 session of the Committee and an outline of possible priorities for the conduct of the 1982 session.

112. The Committee requested the Secretariat to consult in consultation with the Bureau, an agenda for the meeting of the working group and to provide the necessary necessary documentation relevant to an unavoidable clash of work under the Economic and Social Council's programme of work and the work of the working group.

The Committee also requested the Secretariat to submit at its eighth session a note on one way to achieve a unified front-line and developing countries' position on the work of Project LINK 11¹ and further to make available reports of the ACC Task Force on Long-term Development Objectives pertinent to the agenda of the 1982 session.

¹ Project LINK is an international undertaking bringing together

Annex

LIST OF DOCUMENTS

M4.1.C

A. Documents of the Committee

E/AC.54/24 - Provisional agenda for the seventeenth session

E/AC.54/5.100 - Regional development problems, priorities and policy needs
and Add.1 paper prepared by the Secretariat

E/AC.54/5.102 - African migration, some key development issues in the context of the African Strategy and Plan of Action; paper

Africa

E/AC.54/5.103 - Development programs and prospects of the ECWA region in the mid-1980s; paper prepared by the Secretariat of the Economic and Social Commission for Western Asia

E/AC.54/5.105 - Development priorities and policy needs of the ESCAP region; and Corr.1 paper prepared by the secretariat of the Economic and Social Commission for Asia and the Pacific

E/AC.54/5.106 - Latin American development priorities, preparation mid-term review for the 1980s; paper prepared by the secretariat of the Economic Commission for Latin America

E/AC.54/5.107 - Identification of the least developed among the developing countries; note by the Secretariat

B. Other texts

(a) General Assembly resolutions

34/121 Assistance to Guinea-Bissau

34/123 Assistance for the reconstruction, rehabilitation and development for Equatorial Guinea

34/124 Assistance to Djibouti

34/126 Assistance to Central African Republic

34/127 Assistance to Mongolia

34/132 Assistance to Tonga

34/136 Review of the economic situation of Djibouti, Equatorial Guinea, Guinea-Bissau, Sao Tome and Principe, Seychelles, Tonga and newly independent developing countries with a view to their inclusion in the list of the least developed countries

Document number Title

(b) Economic and Social Council decision

A/35/161

Review of the economic situation in Equatorial Guinea

(c) General Assembly document

- A/35/207 S/11007 Assistance to Mozambique: report of the Secretary-General
A/35/222 Assistance to Sao Tome and Principe: report of the Secretary-General
Secretary General
A/35/343 Assistance to Guinea-Bissau: report of the Secretary-General
A/35/202 Assistance to Comoros: report of the Secretary-General
A/35/165 Assistance to Djibouti: report of the Secretary-General
A/35/445 Assistance to Dominica: report of the Secretary-General
and Corr.1
A/35/447 Assistance to Equatorial Guinea: report of the Secretary-General
and Add.1
A/35/400 Assistance to Tonga: report of the Secretary-General
A/35/400 Assistance to Belize, Guyana, Suriname,
and Saint Vincent: report of the Secretary-General

