

COMMITTEE FOR DEVELOPMENT PLANNING

REPORT ON THE FOURTEENTH SESSION

(6-16 March 1978)

ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS, 1978

SUPPLEMENT No. 6



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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

Use of a hyphen (-) between years, e.g. 1970 1972 signifies the full period involved, including the first and last years.

Reference to "dollars" (\$) indicates United States dollars.

Annual rates of increase refer to annual compound rates.

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INTRODUCTION

1. The Committee for Development Planning held its fourteenth session at United Nations Headquarters in New York from 6 to 16 March 1978. Twenty-one members of the Committee attended the session: Maria AUGUSTINOVICS, Moinuddin BAQAI, BONGOY Mpekesa, H. C. BOS, Ester BOSERUP, G. A. BROWN, Jose ENCARNACION, Jr., Gerhard FELS, R. K. A. GARDINER, Richard JOLLY, Isaac KERSTENETZKY, V. N. KIRICHENKO, John P. LEWIS, Gabriel MIGNOT, Saburo OKITA, H. M. A. ONITIRI, Jozef PAJESTKA, I. G. PATEL, Justinian F. RWEYEMAMU, Germánico SALGADO and Leopoldo SOLIS. Three members were unable to attend: Chedly AYARI, Ungku A. AZIZ and Saeb JAROUDI.

2. The Committee elected the following officers for its current term ending on 31 December 1980:

Chairman:	Germánico Salgado
Vice-Chairman:	Maria Augustinovics
Rapporteur:	John P. Lewis

3. At the opening meeting of the session on 6 March 1978, the Under-Secretary-General for Economic and Social Affairs made a statement in which, among other things, he presented some reflections on the role of the Committee since its establishment in 1966 and on the tasks assigned to it more recently by the General Assembly and the Economic and Social Council in connexion with the preparation of a new international development strategy.

4. Substantive services at the session were provided by the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat. The Committee was also assisted 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, the Economic Commission for Africa, the Economic Commission for Western Asia, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the United Nations Environment Programme, the United Nations Children's Fund, the United Nations Development Programme, the World Food Programme, the United Nations Institute for Training and Research, the International Labour Organisation, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization, the International Bank for Reconstruction and Development, the International Monetary Fund, the Council for Mutual Economic Assistance, the European Economic Community and the Organization of American States.

5. The Committee adopted the following agenda:

1. Election of officers
2. Adoption of the agenda
3. Development issues for the 1980s
4. Economic co-operation among developing countries
5. Evaluation of long-term studies and projections and their policy implications for development
6. Matters referred by the General Assembly and the Economic and Social Council to the Committee
7. Arrangements for future work
8. Adoption of the report of the Committee to the Economic and Social Council.

6. On the agenda item entitled "Evaluation of long-term studies and projections and their policy implications for development", the Committee's deliberations were greatly facilitated by the findings and conclusions of its Working Group that met at United Nations Headquarters from 17 to 20 October 1977. The Working Group consisted of H. C. Bos, Jozef Pajestka, Jean Ripert (Chairman) and Leopoldo Solis.

7. The documents that were before the Committee are listed in the annex to the present report. The Committee expressed appreciation for the papers prepared for its fourteenth session.

I. DEVELOPMENT ISSUES FOR THE 1980s

8. The international community is entering a new season of intensive discussion over the needs of development. As the Second United Nations Development Decade draws to a close and attention turns to the coming decade - indeed, to the balance of the century - there are many lessons to be drawn from, and many changes to be sought in, the turmoil of the 1970s. In the present report the Committee takes a first step towards addressing itself to the decade ahead. As explained below, its views are still partial and preliminary. But it hopes early expression of them may provide useful stimulus to more general discussion.

A. The current scene

9. In many ways the long-term priorities of development enunciated for the Second United Nations Development Decade (see General Assembly resolution 2626 (XXV)) will remain relevant for the 1980s as well. There will be continued need for accelerating the rate of economic growth in the developing countries, securing for them a more diversified economic structure, protecting and improving their terms of trade, providing their peoples with increasing opportunities for a better life and generally for strengthening the international machinery for economic co-operation. At the same time, certain major changes, often disruptions, of the current decade have brought a sharp discontinuity with earlier growth. The developed countries with market economies have suffered a major recession whose after-effects are likely to persist into the 1980s. The repercussions around the world have had very different impacts on different countries, greatly increasing the disparities in development performance. All this has thrown up new challenges that must engage the attention of the world community during the coming decade.

10. The turbulence of the 1970s has generated a series of debates that have drawn attention to some of the major lessons that should guide the formulation of development strategy in the 1980s. In part as the result of the large number of conferences convened by the United Nations and its organizations, certain central aspects of the developmental process have been brought into sharper focus. There is now recognition in an increasing number of countries of the need, for example, of a conscious policy of limiting the population growth rate and of giving adequate attention to agriculture, particularly to food supply. Rapid industrialization still remains the king-pin of the developmental process in the poorer countries. But it is now recognized more than ever that industrialization, to be truly meaningful, must be an integral part of development, embracing a broad array of enterprises, both large and small, and a fairly diversified structure catering to mass demand. Similarly, technological transformation remains the sine qua non of economic progress, and developing countries should become familiar with advanced technology; but account also has to be taken of the needs and resources of the great majority of productive agents in shaping that transformation. In general, in addition to a focus on over-all rates of economic growth, emphasis is being put on specific human concerns, such as the elimination of mass poverty, the promotion of employment and the satisfaction of basic needs of all the people in the shortest possible time. There are, however, problems of reconciling economic growth and the distribution of its benefits that need to be resolved.

11. Internationally, too, fundamental rethinking has been prompted as to the nature and adequacy of the economic relationships between countries. The 1960s were the First United Nations Development Decade, in which the target of raising developing countries' output 5 per cent annually was more than achieved. The Second United Nations Development Decade was largely based on two assumptions: that steady economic growth on the post-war pattern would continue within the developed countries and that, with some improvements in aid, trade and technological transfer, this growth in the developed countries would have a positive effect on the third world. In the event, in the developed market economies, the mid-1970s have been in sharp contrast to the 1960s. The experience of rising unemployment, rapid inflation, and slow economic growth is prompting doubts about the sustainability of the full-employment, high-growth patterns of the post-war era. Performance disparities among the developed countries have also become accentuated. These factors have, in turn, affected the realization of the Second Development Decade targets, particularly in the low-income developing countries. A return to the more balanced patterns of economic growth in the developed market economies will require major changes in the direction of economic policy. All these developments have, as noted, stimulated fresh thinking about the relationships between the developed and developing countries.

12. The resolutions of the General Assembly containing the Programme of Action on the Establishment of a New International Economic Order (resolution 3202 (S-VI)) and the Charter of Economic Rights and Duties of States (resolution 3281 (XXIX)) have underlined that what is required is not just a refurbishing of the old framework of co-operation among countries, but a new set of relationships based upon mutual interest between nations and mutual respect. The demand for greater equity among nations has become a demand, not only for narrowing gaps in levels of living but, even more important, for a fairer sharing of power and decision-making. It is this emphasis on mutual respect and parity in power, and the related strategy of self-reliance, which is responsible for the renewed emphasis on co-operation among developing countries. The progress of the developing world is thus seen not merely as a corollary of continued progress in the developed world but as a process sustained largely by mutual demand and mutual exchange of experience and knowledge. Seen in this light, a trickled-down version of economic growth is considered, to say the least, inadequate both nationally and internationally.

13. Many developments around the world have also created a greater sense of solidarity among developing nations. The end of the Viet Nam war, the break-up of the Portuguese empire, the growing onslaught on racial discrimination in southern Africa, the entry into the United Nations of a number of new Members, the impact of several special sessions of the General Assembly and conferences of the United Nations system, and the increase in the bargaining strength of the oil-producing countries as a result of the action of the Organization of the Petroleum Exporting Countries (OPEC), have all contributed.

14. With the growing sense of solidarity has come also the recognition - one in fact shared by the developed market economies and the centrally-planned economies as well - that in economic as well as in political and cultural matters a great deal of diversity is inevitable. The sense of competition among countries belonging to different economic systems has, to some extent, given way to the feeling that mutual co-operation and a degree of flexibility are necessary, as each country, taking into account its economic legacy, pursues its own inclinations.

15. The emerging diversity makes it harder to speak as if the developing world were a homogeneous collective of members whose problems all are capable of being treated in similar fashion. It was the fact of the growing differentiation among the developing countries, partly as a historical phenomenon and partly the result of differential rates of economic growth, that, as early as December 1969, led to the request from the General Assembly that the Committee define a category of countries called "least developed" (see resolution 2564 (XXIV)). But since then, as we detail in a later section, there has been a further differentiation. At one end of the spectrum, along with the least developed countries, are the poor and populous countries of southern Asia and the poor countries of middle Africa which constitute the two depressed regions of which the Committee wrote in its 1976 report. ^{1/} These countries have experienced a slow rate of economic expansion and continue to have very low per capita incomes. It is this group of poorer countries that offers the greatest challenge to the international community during the years ahead. At the other end of the spectrum, there has emerged a new class of developing nations that have achieved, or are likely to achieve, a moderate to high standard of living.

16. These relatively more developed among the developing countries, however, also continue to have serious economic and social problems, including those of reducing income inequality and eliminating poverty, as well as high rates of internal inflation. The fact that in many better-off developing countries sizable populations still live at levels of poverty and with standards of health, nutrition, sanitation and housing corresponding to those found in the least developed countries points an urgent need for internal policies that will result in a fairer sharing of the benefits of growth. And even some of the countries that were fortunate to share in the benefits brought by high oil prices were unable to derive full advantage from this development because their absorptive capacities were limited by major imbalances in their economic structures.

17. From an external point of view, the sharp increases in international prices of the 1970s, while benefiting some, also produced serious balance-of-payments problems for many others among the middle-income or fast-growing developing countries, driving them into rapid expansions of their foreign debt. Their efforts to diversify exports, which have not been unsuccessful, have been blunted in recent years by economic recession abroad and new protectionist trends in developed countries. Thus, these developing countries, despite a relatively high per capita gross domestic product and diversified industrial sectors, often are still vulnerable to sudden changes in foreign earnings that threaten to arrest their economic growth.

18. The developed socialist countries continued to demonstrate relatively high rates of economic growth. However, although during the first years of world recession they benefited from favourable conditions in credit markets, in recent years they have felt the negative impact of that recession. Some now face balance-of-payments difficulties. For the second half of the 1970s they have planned more moderate rates of economic growth than those achieved during the first quinquennium.

^{1/} Official Records of the Economic and Social Council, Sixty-first Session, Supplement No. 6, paras. 67-92.

19. As noted, the developed market economies of Europe, North America and Japan lately have had to contend with high rates of inflation, high rates of unemployment, volatile capital movements contributing to chronic instability in exchange markets, and what may be a growing resistance to structural adjustments. All of these circumstances are reminders of the extent to which the world economy has become more interdependent - yet lacks effective mechanisms for mutual co-operation and development.

20. In many ways continuing recession and growing malaise in parts of the developed world are already beginning to threaten even the modest gains of the past few years and to reverse the more outward-looking thrust of economic policies. There is resistance still to commodity stabilization arrangements. Restrictions against exports of semi-manufactures and manufactures in which the developing world has a competitive advantage are intensifying. Moreover, the developed countries are adopting more restrictive attitudes to immigration of skilled and unskilled labour and in some cases are exhibiting signs of racial intolerance and violence directed towards minorities already established in their midst. A global-minded solution to the malaise in the developed countries is urgently needed by the world as a whole.

21. The sudden and substantial increase in oil prices has not had as destabilizing an effect on the developing world as was feared at one time. To some extent, this is due to good economic management on the part of certain developing countries and the recycling of OPEC surpluses, through the oil exporters' own rapidly expanded aid programmes, through the multilateral intermediaries, and through the commercial banking system. However, the opportunity presented by the emergence of substantial economic surpluses belonging to a few developing countries for accelerating investment and progress in the developing world in general has been limited, partly because a substantial part of the surpluses was short-term in nature and unsuitable for long-term development financing. Indeed, the surpluses of some of the oil-producing countries have since disappeared or have been transformed into deficits. Before the end of 1977, a few of the oil-producing countries themselves were already in the market for long-term borrowing to finance expenditure commitments. Furthermore, there was increasing concern that some of the recycling already done, particularly where it involved long-term loans to developing countries through the commercial banking system, could be the source of some instability in international finance. From this experience, it is evident that while surpluses, such as OPEC's, undoubtedly improve the resource situation of some developing countries, they could not be a substitute for the flow of long-term development financing to the vast majority of developing countries.

22. All this has created a certain international ambivalence about the kind of relationship that needs to be built between the developed and developing countries. Within the affluent nations there are voices arguing for less growth of physical production and more rapid growth of services designed to improve the quality of life. This is further compounded by the concerns for preserving a safe and healthy environment and for conserving scarce non-renewable resources. However, the large majority of wage and salary earners in the affluent countries continue to exert pressure for better wages and more employment and there is a growing resistance against the trade liberalization measures in favour of developing countries. If unchecked, this trend may jeopardize the progress made in developing countries in production of manufactures for export.

23. Among developing nations there is an understandable desire that their fortunes should not be merely a by-product of continued economic growth and prosperity in

the richer nations. And yet, given the growing interdependence of the global economy, given the continuing need in nearly all developing nations for rapid economic growth, and given the need to tackle the insistent problems of poverty and economic dependence in the poorest countries, it is clear that we require more rather than less growth of the world economy, although there are clear needs for changes in its structure.

24. Our problems, then, are both more sharply drawn and more complex. But there has been little evidence of corresponding strength or sophistication in the instruments being brought to bear on the problems. It is recognized that the international economy has become genuinely global, and that its functioning is a matter of concern to all nations. But adequate mechanisms for steering the global economy are still lacking.

25. The International Development Strategy for the Second United Nations Development Decade was explicit at least in one respect, namely, the minimum scale on which resources are needed to be transferred from the rich to the poor countries on concessional terms. The donor countries, especially some of the richest, have roundly failed to reach even this target. It is not surprising, then, that there has been no progress at all in making the process of transfer of resources from the rich to the poor an automatic one, at least to some extent, as has been suggested on a number of previous occasions by this Committee. Disarmament remains a distant goal. The law of the sea is yet to be written and the royalties, if any, remain to be apportioned. For the time being the question of a link between development finance and the creation of international liquidity has been successfully shelved. With respect to the last, however, the issue of reforming the international monetary system has assumed altogether new dimensions thanks to the continued sharp weakness of the dollar and the widespread desire, therefore, to replace it as an international reserve currency by the special drawing rights of the International Monetary Fund (SDRs) or some other suitable international reserve medium.

26. The developed market economies continue to have a dominant voting position in the management of the International Monetary Fund and the World Bank. The World Bank, through its affiliate, the International Development Association (IDA), has been playing, all the same, a useful role in the development of the poorer countries. But the resources entrusted to IDA are grossly inadequate for the task, and the periodic replenishment of funds for IDA continues to face resistance and uncertainty. The regional development banks also have not yet been able to get adequate contributions for their "soft loan" windows for the benefit specifically of the poorest of their members. Other multilateral agencies, namely the organizations of the United Nations system whose membership is more representative of the diversity characterized by the comity of nations, have acquired considerable expertise in tackling many of the urgent social and economic problems, such as food production, health, nutrition, literacy, population growth, industrialization and employment, to which high priority is rightly being accorded. But the resources available to them for making any significant impact on these problems remain meagre by any standards and their role remains confined largely to technical assistance.

27. Much remains to be done to devise new instruments, not only for the transfer of technology but for the creation and dissemination of technologies to meet the needs and circumstances of the developing world. The effective regulation of multinational corporations which could make them more acceptable instruments of international prosperity and co-operation has yet to be devised. Concern for

economic security as distinct from economic progress is reflected in the felt need for greatly increased food assistance to build up internationally controlled food stocks, which can provide food security for the poorest nations that are unable to finance their import demand for food in years of harvest failure or soaring world market prices. This urgent need has yet to receive convincing response.

28. Again, both developed and developing countries have yet to devise adequate measures to facilitate the full and equal participation of women in their economies. In the rich and the poor countries alike, the emotional as well as economic integration of minorities and other subnational groups in such a way as to utilize their fullest potential continues to remain a distant and difficult goal.

29. At the national level also there is in different degrees a lack of adequate institutional and policy response to some of the most perplexing problems which will continue to plague developing countries in the 1980s. It may be difficult to ensure such important reinforcements of progress as political stability, managerial integrity and the willingness to accept the inevitable trade-offs and sacrifices involved in a steadfast pursuit of any social policy. There are, however, many other problems that require greater attention if the process of economic growth is to be broader-based and achieve the elimination of mass poverty. There has to be a persistent attack on such historical sources of inequity as unequal distribution of land or social distinctions and hierarchies. Equally, however, a whole new institutional set-up catering to the credit and marketing needs of small producers and capable of an effective communication of technological and other information to widely dispersed communities must be created if the search for equity and mass involvement is not to be at the expense of a rapid enough increase in productivity. Developing countries also need institutional arrangements, such as adequate food stocks and systems of food distribution, that can moderate inflationary pressures by evening out the incidence of shortages over time. In the field of science and technology, the task of "marching on two legs" - of reconciling the claims of scientific excellence and independent scientific ability to innovate with the need to improve the technological base of vast numbers of decentralized producers - poses an intensified challenge. Some of the institutional requirements of equitable economic growth at the national level cannot be met in the case of smaller nations, at any rate, except on the basis of regional co-operation. Indeed, in certain parts of the world, even for the larger among the developing nations, the need for co-operation with neighbouring countries in industry and technology, and in the utilization of common resources, such as river systems, has become urgent.

30. Briefly, then, the current economic scene as we approach the decade of the 1980s is one that requires a much greater effort of will and innovation. There is a growing gap between, on the one hand, what is commonly understood and desired and, on the other hand, the common will to achieve it. The response that is needed, whether at the national, regional or international level, requires the inculcation not so much of new ideas or unknown strategies as of a new resolve to pursue vigorously a course that is already perceived with sufficient clarity.

B. Preliminary comments relating to a strategy for the 1980s

31. The Committee was requested by the Economic and Social Council in its resolution 2125 (LXIII) to consider and identify possible elements for a new international development strategy. In its resolution 2090 (LXIII), the Council

requested the Secretary-General, in consultation with, among others, the Committee, to start preparations for the elaboration of an over-all socio-economic perspective of the development of the world economy up to the year 2000, with special emphasis on the years up to 1990.

32. This phasing of the decisions now before the world community seems to us sound. On the one hand, it is now the 1980s that come first, and must be foremost in our planning; moreover, realistic planning for the 1980s must provide for transition out of the troubled situation of the current decade. On the other hand, the decade of the 1980s will itself be a transition, and policies for it need to be guided by perspectives running out at least to the end of the century.

33. The Committee's, plainly, is only one voice, and not a very loud one, among those that will be joining the debate over a world strategy for the 1980s. The most important participants will, in the end, be Governments - which, in all the main sections of the world, must become convinced that there are genuine benefits their countries can gain from serious commitment to a world strategy. Yet, as a standing body of individuals, not official representatives, drawn from all over the world to render advice on development problems and policies, the Committee welcomes the opportunity to join the strategy debate.

34. The following is a preliminary set of comments. The debate now beginning will continue for at least two years. And, as will be indicated, the Committee itself has more homework to do before it could presume to recommend a coherent framework for a new international development strategy. On the other hand, on certain aspects of the needs ahead, the Committee already has quite strong views. It seems useful to set these forth quite candidly, albeit tentatively, now, with the expectation of returning to the subject more systematically at the Committee's fifteenth session.

1. Broad approach

35. We believe that the next phase of international development strategy needs to be characterized by a perspective, broader in several respects than that of the previous two decades. Framed in line with the objectives of a new international economic order, the new strategy should be:

(a) Focused on the 1980s but articulated with longer-run objectives, such as those for the year 2000;

(b) Explicitly and comprehensively global, covering domestic as well as international aspects of development and aspects related to changes and policy within the developed countries as well as within the third world;

(c) It should, however, be multifaceted, giving explicit recognition to the differences of structure and level of development of various groups of countries and suggesting development needs group by group;

(d) It should seek to strengthen economic co-operation among developing countries - a subject which is dealt with in chapter II of the present report;

(e) It should emphasize institutional reform, internationally and nationally, as much as - and perhaps more than - quantitative targets. In particular, it should provide means for moving towards some of the institutional changes, including further changes within the United Nations system and its agencies, needed

for more effective functioning of the world economy and the international measures required to encourage and assist the process of structural adjustment within both developing and developed parts of the world. Nationally, it should stress the strengthening of economic institutions - for example, the functioning of food markets.

36. These points all are in keeping with our view that the basic elements of a global economy have already come into being and that, whether planned or unplanned, the complex of linkages and interactions underlying economic interdependence is likely to become stronger in the years ahead. The challenge is thus no less than the need to establish efficient and representative mechanisms for guiding and managing developments within this economy, in ways which are efficient, equitable and sufficiently in the perceived mutual interests of all parties to command effective support.

37. At the end of the Second World War, with the establishment of the Bretton Woods system and then, progressively, of various United Nations organizations specializing in various aspects of development, a certain view of the global economy underlay the planning - and indeed led to the formation - of a framework of international economic and monetary relationships that continued to operate until the early 1970s. The system favoured free trade, with a clear recognition of the need for the main industrial powers to manage their aggregate demand in the interests of full employment. With respect to resource transfers to developing countries, it relied on foreign private investment supplemented by official transfers. This post-war system of international economic arrangements had serious flaws. But for 30 years it served to order many aspects of global economic affairs. Now, in the 1970s, the system has run into severe difficulties.

38. We see the same need for construction or reconstruction of international economic institutions in the decade ahead. The world is more complex than in that post-war era. The number of parties involved and the differences of goals and national perceptions among the parties is much greater. Nevertheless, the need for effective and equitable management of the global economy is even greater than it was a generation ago.

39. Such efforts need to satisfy at least five conditions:

(a) Sustained and reasonably steady economic growth - accelerating in the poorer parts of the world and sufficient to meet economic and social objectives in the middle income and richer countries;

(b) Stability - to avoid recurrences of the extreme fluctuations of recent years in the levels of employment, price and economic growth - and to diminish their international transmission, such as that encountered in primary commodity markets;

(c) Efficiency - to enable structural adjustments in the pattern, location and technology of production to take place in ways which ensure that people and resources in all countries contribute productively to meeting the basic development objectives of their countries and play a continuing part in an evolving world economy;

(d) Equity - to provide for international mechanisms of transfer and control to ensure greater balance in the process of economic growth and a more equitable distribution internationally and nationally of its benefits;

(e) Diversity - to provide the international context in which individual developing countries and groups of countries have the ability, if and as they wish, to mount an autonomous development strategy. This is an important aspect of self-reliance, often at present restricted by the multitude of linkages, economic and political, which inhibit countries from fully using their resources and economic infrastructure as they choose. Some developing countries have argued the need for a period of withdrawal from the external setting during which they can attempt to realign the structures of their economies more towards newly perceived internal needs and priorities. Clearly there are costs in this, but it also has some economic rationale; and international institutions, while naturally expecting reciprocal participation in many activities, should seek to accommodate this sort of self-reliance.

2. Long-term goals

40. The priorities of the 1980s should, we have suggested, be set by reference to a pattern of global development by the end of the century which would have diminished if not eradicated several of the extreme imbalances which characterize the world today. We would propose long-run goals with respect to three such imbalances:

(a) The need to reduce the extremes of economic inequality between countries, by accelerating economic growth in the developing countries, especially in the poorer countries and, more generally, by ensuring that international economic institutions develop in ways which ensure a greater share of benefits and greater participation in decision making for their poorer and weaker members. The elimination, in all countries, of the worst aspects of poverty by the end of the century should be made an integral aspect of this goal.

(b) Structural change to ensure a more rational balance within and between countries in the further development within certain key sectors, such as energy and food, and to avoid excessive and threatening over-extension of other sectors, such as armaments production and military activities. The Lima Declaration ^{2/} has already specified the need for a better balance in the structure of world production.

(c) The further development and strengthening of institutions of international economic management on the lines outlined above, especially to provide a continuing and orderly process of structural adjustments.

41. It is too early for one to specify confidently how these goals should be made operational. Such will be the central agenda of the world strategy debate during the next two years. Possible approaches range all the way from the preparation, perhaps by the secretariats of the United Nations, of a comprehensive world indicative plan - perspective to the year 2000, more detailed for the 1980s - at one extreme, to, at the other, a decentralized, country-autonomous approach in which, as in the past, planning per se should be no more aggregated than that done by individual countries - but perhaps with the countries conferring intraregionally about their respective plans.

^{2/} Adopted by the Second General Conference of the United Nations Industrial Development Organization (see A/10112, chap. IV).

42. On the basis of its preliminary discussions, the Committee is intrigued with an intermediate approach that, while not seeking to displace autonomous country planning, would augment and reinforce it by the establishment of certain world undertakings. The latter at this juncture would not seek to be comprehensive, and by no means would they exhaust those subjects that a strategy for the 1980s must centrally engage. But selectively, in respect of key goals where there is a strong consensus, it may be possible and desirable to quantify undertakings as to levels of achievement to be attained by the end of the century.

43. The Lima target as to the relative redeployment of industry constitutes one such undertaking. Other undertakings might be in the area of energy and food. Similarly, it might be reasonable for the world community to enter into a serious undertaking concerning the worst aspects of poverty. Perhaps, for example, it could be agreed that all of the poorest countries which choose seriously to devote their own efforts to such goals, should, by the end of the century be helped as a minimum to double their per capita incomes and change their infant-mortality, life-expectancy and, say, their literacy rates to stated minimum standards. Better-off developing countries, too, might adopt similar targets.

44. The implications of, and the most promising modes for, implementing the Programme of Action on the Establishment of a New International Economic Order, the Lima industrialization target and the goal of eradicating mass poverty need further analysis. They deserve a prominent place on the world community's agenda, first for urgent study, then decision.

3. Strategies specific to different groups of countries

45. As emphasized, a sensible strategy for the 1980s must be disaggregated by country groups. Roughly, now, among developing countries, one can identify various groups according to the manner in which the countries are integrated into the world economy. By way of illustration, one could distinguish the following: the oil-exporting countries, countries depending heavily on exports of other primary products, the rapidly industrializing countries and, as another separate group, the low-income developing countries - including but not limited to the least developed. These or similar groups, while to some extent overlapping, nevertheless permit tentative approaches to a differentiated strategy. In this connexion, the following are preliminary comments on country groups. It must be stressed that the comments made in respect of a particular group are not necessarily inapplicable to other groups.

46. The oil-exporting countries, because they still have under-developed aspects, need inputs of technology and expertise from the advanced economies and from other developing economies with such resources. As for the oil-exporting countries with substantial surpluses, one will need to explore how their accumulated capital can be better used for the sake of world development, particularly of the economies of developing countries. Since their capital represents a conversion of non-renewable resources into long-term investment, it is obviously vital for these countries to have hedges against the depreciation of currencies and to use most of their capital profitably. One of the desirable directions for the employment of oil capital - in addition to supplementing the flow of concessional assistance - may be to use more of it for financing the development of rapidly industrializing developing countries at commercial or non-commercial rates.

47. For other developing countries highly dependent on the exports of primary commodities, commodity agreements and other related measures are desirable in

order to stabilize their economy. There will also be a possibility of transfer of resources through improving the terms of trade in favour of exporting countries. But in the latter case it is easy to oversimplify the resulting benefits and costs for (a) resource-rich rich countries, (b) resource-rich poor countries, (c) resource-poor rich countries, and (d) resource-poor poor countries. In order to avoid an arbitrary transfer of resources from relatively poor to relatively rich groups of countries, the selection of commodities which are candidates for commodity stabilization requires careful consideration. Accordingly, along with the conclusion of commodity agreements, a wider use of compensatory financing mechanisms deserves attention. To assist their processing of raw materials before export, producing countries particularly need modification in the escalating tariff structures still found in many importing countries.

48. As regards the rapidly industrializing developing countries with high rates of economic growth and export expansion, the conditions necessary for their further economic progress are: (a) continuation of a liberal world trade system; (b) access to the markets, both of developed and developing countries; and (c) access to the world capital markets on commercial or better-than-commercial terms. Developed countries are increasingly feeling the pressure of exports from these developing countries as well as the exports of more sophisticated industrial products from some of their own newer members. The older industrial countries have been slow to make changes. Adjustment is difficult because of their domestic political and social problems. However, if these countries move towards a hardened stand of protectionism the result could be a stagnation of the world economy, with adverse impacts on the developing economies as well. As a matter of practical concern the countries exporting manufactures may at times be obliged to accept export restraints. But this can only be justified as a temporary solution and if it used to make adjustment policy more feasible for the developed industrial countries.

49. As for the low-income countries, their problems are central in a global endeavour for accelerated progress. The elimination of mass poverty from the face of the earth is the joint responsibility of all nations, rich and poor alike. This is implicit in giving the highest priority to the satisfaction of basic human needs, such as adequate nutrition, health services and basic education, by both domestic and international measures. But international aid to the poor countries should also aim at making them self-sustained by helping to finance major improvements in economic infrastructure which are a pre-condition of rapid agricultural and industrial expansion in such countries. Poverty is not confined to low-income countries but international efforts will have to be very largely concentrated on the problems of low per capita income countries. Developing countries with higher per capita incomes should be able to go further towards meeting such needs from domestic resources. Although the content of basic human needs will differ from country to country, there should be an effort towards quantifying such needs.

50. The low-income countries have been extensively discussed in previous reports of the Committee: the least developed countries repeatedly in the Committee's considerations of proposed additions to and deletions from that category; and the group as a whole, including other very poor but more populous countries of southern Asia and very poor countries of Africa, in the Committee's 1976 report. There the point was made that the poorest countries of the world very largely are found in the two geographical regions of southern Asia and middle Africa. 3/

3/ See Official Records of the Economic and Social Council, Sixty-first Session, Supplement No. 6, para. 68.

51. The poorer countries are not in a position to take up loans on market conditions. Their poverty is such that official development assistance (ODA) to them should go - indeed, in the past, should have gone - on grant or near-grant terms. Similarly, there is a strong case for conveying fresh concessional transfers to them in the form of cancellation of debt service coming due in respect of official development assistance or of cancellation of past ODA debt itself. Some countries have already cancelled official debts of the low-income countries. The per capita aid flowing to low-income countries has been low compared with that going to better-placed developing countries - indeed, very low if, as we argue, concessional transfers should in fact be concentrated on the poorest countries. Aside from volume, there are other problems. In project preparation, a number of these countries lack needed expertise. They are also unable to meet local expenditures associated with specific projects and to provide counterpart experts.

52. The "Club of the Friends of the Sahel" represents one interesting and concerted exception to this average neglect of the neediest countries. But it needs to be paralleled by much bolder transfer programmes, including but not limited to regional schemes, for the generality of low-income countries. The grants and near-grants flowing to them should emphasize - but, at the same time, not be narrowly limited to - the production of more food and improvement of basic economic and social infrastructure, such as water supply, transport and communication. In general international assistance aimed at meeting such needs should favour employment programmes mobilizing under-employed manpower in the labour-intensive production of rural infrastructure and other assets. By this means, given good indigenous management and complementary resource efforts, there can be a positive coupling of countries' growth and equity objectives. In this connexion there is scope for external food assistance, in addition to meeting emergencies, to play a constructive developmental role - but only where care is taken not to dampen local agricultural incentives or agricultural expansion efforts.

53. Among developing countries, it would be reasonable for those that have surpassed a certain level of per capita gross domestic product to be considered as being in a transitional stage. The countries in the transitional stage would be exempt from both the obligations imposed on developed countries and the privileges given to developing countries under various international agreements.

54. Elements of a strategy with respect to the developed market economies may, at first sight, appear to be no more than a mirror image of what already has been said. There are needs, among others, for outward transfers, better market access, industrial readjustment, a reasonable stance on commodity agreements. There is need, as the Committee has remarked particularly in its two preceding reports, for the industrially-advanced countries to manage their internal economies so as to relax the "stagflation" dampener on development elsewhere. But these are often perceived as a list of the rest of the world's wants from the developed market economies. In the genuinely global strategy we need for the 1980s there must be a place also for the needs of and gains to the advanced economies. There should be an accent on mutually beneficial changes.

55. The last is an aspect of the strategy that deserves particular thinking through in the months ahead. In a preliminary way the Committee notes the need for fresh attention to: (a) the global, mutually shared, benefits that, over the perspective of the 1980s, can flow to both poor countries and rich from a vigorous expansion of food production and a strengthening and rationalization of the energy

sector; (b) the real gains that trade liberalization can hold out to rich-country consumers, and therefore the benefits that can be set off against serious trade and industrial adjustment efforts; (c) the very substantial and quantifiable benefits for rich countries that may be implicit in stabilizations of commodity prices and supplies; (d) the inflation-retarding effects that both a smoothing of external commodity price shocks and incrementally greater imports competition can have on price-wage structures with strong cost-push propensities; and (e) the enormous potential gain, as we have discussed before, that could be had from effective measures of disarmament, even modest ones. We emphasize again this important area of dangerous and wasteful excess. Individual and collective initiatives for reducing the level of armaments and military expenditures, whether in rich countries or in poor, could release very large volumes of resources for development - and add positively to peace and security.

4. Supporting research

56. In the course of the preceding pages a number of needs have been noted for particular studies, research, and analysis that would help to inform strategy decisions that soon will be upon us. Instead of being summarized here, however, these needs are included in the bill of analytical requirements set out in chapter III below.

II. ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES

57. In its resolution 3177 (XXVIII), adopted on 17 December 1973, the General Assembly requested the Committee for Development Planning to give high priority to the study and evaluation of economic co-operation among developing countries. As indicated in several of its earlier reports, the Committee has reviewed aspects of this subject as an integral part of its ongoing work on problems of economic and social development. With the world community now turning its attention to the preparation of a new international development strategy, the Committee felt that it should examine the subject more systematically than it had been able to do in the past. The views set forth in the present chapter are the result of such an examination.

58. Economic co-operation among developing countries is being increasingly adopted as an important element in the international strategy for development. It has acquired added emphasis as a result of efforts relating to the creation of a new international economic order.

59. Industrial development of most developing countries would require a larger market than is likely to be available internally for a long time. Growing co-operation among developing countries would be necessary for creating viable industrial complexes and making progress towards realizing the industrial targets set under the Lima Declaration. Strengthening of economic co-operation among developing countries would also improve their bargaining position in respect of terms for the transfer of technology from the developed countries.

60. Economic co-operation among developing countries has taken various forms, varying from less formal and bilateral arrangements on specific projects relating to the development of shared natural resources to ambitious schemes designed to achieve significant economic integration. Although different forms of co-operation usually reinforce each other, the experience of various attempts made by the developing countries to promote economic co-operation among themselves is evaluated here under three headings: (a) trade arrangements of a global, that is, general, nature; (b) formalized economic integration schemes; and (c) other arrangements for economic co-operation.

61. In the 1970s trade among developing countries grew substantially faster than did such trade in the 1960s, or than did trade with the developed countries in the 1970s. However, whether and to what extent this growth of mutual trade was a response to positive policy efforts is harder to say. The events are too recent to afford an adequate basis for evaluation.

62. Ambitious and bold schemes for viable economic integration were adopted by certain groups of countries in the 1960s and 1970s. During the 1970s, while difficulties were experienced and the results have been less than fully encouraging, progress in selected cases is discernible. Much more detailed preparatory work and careful evaluation of objective conditions on which schemes for economic integration are based will be necessary in future attempts of this nature.

63. Much greater progress has been made in the 1970s in evolving patterns of economic co-operation among developing countries which are not designed to achieve a high degree of economic integration. Such co-operation among developing countries on specific aspects of economic relations has proved particularly valuable in the monetary and financial field.

64. All efforts for mutual co-operation pose difficult questions of balancing the distribution of costs and benefits equitably. Equity, however, needs to be judged in a pragmatic manner. What is important is that all countries involved derive significant gains from co-operation arrangements, further that the efforts of private and public sectors be harmonized, and finally that mechanisms for planning and implementing joint activities be strengthened.

A. Trade

65. As noted, it is encouraging that during the 1970s trade among developing countries grew at a faster rate than their trade with the rest of the world. In the first half of the 1970s, the quantum of their mutual trade increased annually by about 9 per cent compared to an annual increase of nearly 6 per cent in their gross domestic product and of 4.5 per cent in the quantum of their exports to the developed market economies. Since this development coincided with recession-induced low demand in the developed market-economy countries, this recent trend should be interpreted with caution.

66. Another notable element in the growth of the mutual trade of developing countries has been a sustained increase in the share of manufactures, which increased in real terms from about 20 per cent in the early 1960s to almost 40 per cent in the mid-1970s. This increase in trade among developing countries originated mainly from a few developing countries which are relatively more advanced in industrial structure and have set in operation a combination of policies that has provided them with considerable competitive advantage. To the extent that the increased trade in manufactures originated from the subsidiaries of transnational corporations, the impact on value added within the developing countries was less. While this last aspect suggests a qualification, the case for the contribution that trade among developing countries can make to export-led growth remains strong.

67. Within the world's two broad country groups, namely, developed and developing countries, processes of trade expansion to date have been unequal. For example, while the quantum of exports among developed market economies increased at an annual rate of nearly 8.5 per cent between the early 1960s and the mid-1970s, the quantum of exports among developing countries increased at an annual rate of less than 7 per cent. It is true that many developing countries have been strongly inclined to protect their own industries against competition not only from industrial countries but also from other developing countries. On the other hand, tariff-reducing efforts within the framework of the General Agreement on Tariffs and Trade (GATT) have arrived at higher tariff cuts for products in which developed countries have major interests than in items of particular interest to the developing countries. In addition, the establishment of the European Common Market, the European Free Trade Area, and the Council for Mutual Economic Assistance have all led to gains in the intra-trade of developed countries. There have been no parallel far-reaching approaches to preferential areas on the side of developing countries, although there were some exploratory attempts during the 1960s.

68. In the course of the 1970s, the situation has changed. Many developing countries that find themselves in a position where import substitution promises few further benefits of industrialization are shifting their policies towards export promotion. Market access to developed countries was always limited and has become even more limited recently. Even where arrangements have been made for providing access to developed-country markets for products originating from developing countries, the qualifications and limitations imposed have narrowed the scope of such arrangements. There is therefore a growing interest in mutual trade among developing countries, promoted either by the creation of preferential areas or by the implementation of formal integration schemes. Manufactured exports to other developing countries could also strengthen the industrial and marketing base for future trade with developed countries.

69. As to the legal aspects of preferential arrangements, the 1971 decision in the framework of the GATT cleared the way for preferential tariff reductions outside formal integration arrangements. A first important step was taken in 1973 by 16 countries which agreed upon significant mutual concessions under which the countries would grant each other preferential trade treatment. This arrangement has since been joined by two more countries. The scheme of concessions covers some 500 headings and subheadings relating mainly to manufactured or semi-manufactured goods. The mutual trade under these headings doubled between 1973 and 1975 but remains an insignificant proportion of the total trade of the countries concerned. The period since the arrangements came into force has been too short to permit meaningful evaluation - as, of course, is the case also with the second step in this sequence, the so-called Bangkok Agreement of 1975. When circumstances are unfavourable for institutional or formal economic integration, developing countries should be encouraged to go ahead with preferential arrangements, preparing the ground for integration schemes to be implemented later on.

70. More trade among developing countries cannot be considered as a substitute for more trade between developed and developing countries. Many goods that are essential for economic development, for example, investment goods and technologies, cannot be supplied - at least in the medium-term - to the required extent by the developing countries themselves. Thus, now as before, there is an urgent need for increasing export earnings through exports of manufactures from developing countries. The case for liberalization and structural adjustment in developed countries remains strong.

B. Economic integration

71. The creation of a new economic space through the integration of national markets is the most forward-looking and, at the same time, the most demanding form of co-operation among developing countries. For many of them, such an integration may be the key to bringing about changes in economic structures that are required for development, mainly the growth of a sound and interdependent industrial base. Almost without exception, economic integration can facilitate technological development; it tends to bring a coherent framework of common policies, for example, a common external tariff. And it can improve the negotiating position of developing countries in North-South bargaining. All in all it is a most attractive objective.

72. But the potential of integration goes hand in hand with the complexity of a process that will inevitably affect a broad range of interests and activities. Of

course not all forms of integration are equally demanding; some will be difficult to distinguish from purely commercial arrangements. However, all the integration groupings initiated among developing countries have sought more ambitious objectives and have relied on formulae inspired by the experiences of developed countries, mainly free trade areas, custom unions, and common markets. Recently interest has been shown, for example, by the Andean Group, in planned integration of industry.

73. The prospects of most integration groupings unfortunately are fraught with difficulties, at least at present, even though some of them are realizing part of their potential. Few of the integration schemes have not contributed in some measure to economic changes in the countries concerned, some of them greatly. Such is the case, for instance, of industrial development in central America and of the whole complex of services in the East African Economic Community. In other cases integration schemes have opened an important if not substantial market to which participants were able to start exporting relatively complex manufactured goods that eventually were able to compete in world markets. This has been the experience in the Latin American Free Trade Association. Almost all the schemes have yielded some of the benefits of solidarity, be it in trade, integration industries, joint ventures or joint services. But the results are far below hopes and expectations.

74. This disappointing experience has had complex causes. It is not intended to analyse various cases in detail. But some common elements can be seen. In all cases there has been a resistance of the weaker or less developed members to schemes that yield benefits disproportionately to the relatively more developed or economically stronger countries. The collapse or, more commonly, the stagnation of the integration process is mainly due to such disharmony between stronger and weaker members. In the 1970s an important contributory factor has been the enervating environment of world recession.

75. There is a need for a sober and realistic appraisal of the complexities and demands of integration. Not all forms of economic integration should be regarded as valid objectives for any and all groups of developing countries. For some particular groups of countries certain forms of integration are simply unviable. Each group needs a formula tailored to its own needs - and probably different from models that have worked for developed countries. The more intractable problems of integration have stemmed from inter-member differences in degrees of industrial development or in other aspects of economic or political structure. Where levels of industrialization vary markedly, only a system capable of compensating the less developed members through direct allocation of integration industries seems likely to be viable. This is, for instance, the approach of the Andean Group, which has largely succeeded up to now in overcoming its difficult initial problems. Other differences in economic structure require similarly innovative policies. Where the heterogeneity among members of a group is great, it may be necessary to seek more homogeneous subgroups or, indeed, to recognize from the beginning that efforts focused on more modest objectives than thorough-going integration may be more feasible and therefore wiser.

76. Economic integration, even in its less demanding forms, implies a long and difficult process of adjustment. Problems are encountered before benefits start flowing. This fact needs to be borne in mind so as to avoid premature disappointment. Even the increase in trade of existing production will require the establishment of suitable transport and commercial channels. Considerably more time will be needed really to reap the benefits of the change in industrial structure which is the main motivation for integration in developing countries.

C. Other arrangements for economic co-operation

77. Along with trade arrangements and market-integration schemes, other forms of economic co-operation among developing countries have also been receiving attention. Monetary co-operation agreements have widened. Several producers' associations have been strengthened. Direct collaboration for increased material production, particularly through joint ventures in manufacturing, agriculture, energy and scientific research, has gained some momentum. Multipurpose co-operative efforts have encompassed such activities as development of river basins. Since 1974, new financial institutions have been set up, and the transfer of financial resources among developing countries has increased spectacularly. These are indeed important developments.

78. The value of transactions settled through existing multilateral clearing arrangements among developing countries has increased substantially since the late 1960s. In the mid-1970s two new such arrangements were established, one in Africa and the other in Asia. Developing countries, particularly in Latin America and the Caribbean region, have also devised measures in the framework of existing integration schemes to cope with temporary deficiencies of international liquidity. Available resources in the stabilization funds in Latin America and the Caribbean amounted to about \$300 million by the mid-1970s. In the Andean Group a new system has been established whereby arrangements have been made to pool and manage international reserves in order to facilitate short-term exchange financing and joint investment of the international reserves of members. Another important development has been the agreement made in 1975 by Arab central banks to set up the Arab Monetary Fund, with an initial capital of SDR 750 million, to co-ordinate the monetary system of member countries, to support their efforts towards economic integration, and to contribute to the gradual liberalization of intra-group trade and other transactions among members.

79. The actions of OPEC in the 1970s not only have resulted in improving the terms of trade of its members and substantially increasing their investment surplus, but have also contributed to revitalizing other producers' associations and encouraging new ones. Since many of these associations, such as the Union of Banana Exporting Countries and the Association of Natural Rubber Producing Countries, are of a comparatively recent vintage, there is no firm basis as yet for assessing their real impact. It has to be remembered that for members of OPEC, it took more than a decade for the full benefits of this organization to make themselves felt.

80. Joint ventures have been receiving greatly increased attention by developing countries, as is attested by the variety and size of agricultural, mining and manufacturing enterprises established by developing countries on a collaborative basis in recent years. Lately, increasing interest has been shown by these countries in the development of energy, and hydroelectrical complexes are emerging in frontier areas as binational ventures. Joint research has also been intensified. However, while promising results have been obtained in agricultural research, efforts and achievements in respect of joint industrial research by developing countries have not been very significant.

81. In the past few years, notable steps have been taken by developing countries to enhance co-operation in respect of river-basin development, expansion of road and railway linkages, development of ports and airports, improvement or creation of multinational transport fleets, and improvement of communication systems. Many of these endeavours are still at an early stage, and their success has varied. But the fact that steps are being taken augurs well for the future.

82. Financial co-operation among developing countries has made striking gains. A number of long-standing institutions, such as regional and subregional banks, have been strengthened, and new financial institutions have been established. The most far-reaching change in this respect has been the channelling of a significant part of the OPEC surplus as grants and loans to developing countries. The amount of resources channelled through OPEC-related institutions and channelled directly by OPEC members to other developing countries amounted to about \$8 billion both in 1975 and in 1976.

83. The diverse forms of co-operation undertaken by developing countries represent a more pragmatic and flexible option than the broader, more ambitious market-integration arrangements. Even so, it must be noted that several of the attempts to establish these more flexible forms of co-operation have not yet produced substantial results. The lesson from recent experience is clear: fruitful co-operation requires political will and a sustained commitment, as well as a fair distribution of benefits. Vigorous efforts are needed to enhance and sustain the momentum of co-operation among developing countries.

84. Co-operation among developing countries merits strong financial and technical support by the international community. A more rapid expansion of joint production ventures of developing countries, which can obviate some of the undesirable features of transnationals, particularly control by foreign interests, can be furthered by the financial and technological participation of the more industrialized countries. The developed countries also, for example, can usefully assist joint developing country studies and programmes in such fields as education and health. What is needed is the creation of an awareness in developed countries that constructive co-operation both within the South and between North and South is in the North's own best interests.

III. LONG-TERM DEVELOPMENT STUDIES AND PROJECTIONS

85. As indicated in paragraph 6 above, a Working Group of the Committee reviewed the work carried out and under way in organizations of the United Nations system on long-term studies and projections and their policy implications for development. The Group devoted particular attention to the work relevant to the formulation of a new international development strategy. The Committee's views are based in large part on the findings and conclusions of the Working Group.

86. The Committee is appreciative of the information provided to it, at the suggestion of the Working Group, by organizations of the United Nations system in a conference room paper in one working language. Set out in a systematic tabular form, the information gives a convenient description of the nature, scope and other features of long-term development studies and projections under way in organizations of the United Nations system. Because this information will be of use to a larger public, the Committee has requested the Secretariat to release it in an official document in the language in which the information was assembled. ^{4/} The Committee also recommends that similar information on studies in progress, completed or newly undertaken should be released for wider use at appropriate intervals on a continuing basis.

87. The available information shows that important studies on long-term development have recently been undertaken and that several new studies are envisaged for the future. There is a great variation in the nature and scope of these studies, as well as in the methodologies used. The geographical scope varies from global to regional and national; the time span covers the 1980s, the period up to the end of the century and even beyond. The studies made by the Department of Economic and Social Affairs on the basis of the Global Econometric Model date back to the 1960s. Some studies are carried out in the United Nations system along sectoral lines (agriculture, industry, energy), others focus on special aspects (population, employment, technology, environment). Some studies are aimed at analysing the implications of new development concepts. Among the newly undertaken major studies can be mentioned the Global Input-Output Model of the Department of Economic and Social Affairs, the project "Agriculture: Towards 2000" of the Food and Agriculture Organization of the United Nations, the World Industry Co-operation Model of the United Nations Industrial Development Organization and an International Labour Organisation study on the "basic needs approach".

88. A number of studies are ambitious in scope and concern the development of the world economy up to the year 2000. There is little experience as yet in applying formal quantitative models at the global level over such a long time horizon. These studies are, therefore, bound to be of an experimental nature at the present stage.

89. A great number of these studies are hindered by a lack or inadequacy of data. This draws attention to the fact that, despite the remarkable progress made

^{4/} To be issued under the symbol E/AC.54/17.

during the past decades in the improvement of statistics, factual quantitative information on the world economy is still scarce. Further concentrated efforts will be required both by individual countries and by the United Nations system to improve, enlarge and speed up the collection, processing and utilization of statistical data that reflect the structure of and changing trends in the economy and society. A better insight into the past and present will then provide a strengthened background for forecasting and shaping the future.

90. Quantitative models are not ends in themselves; they are tools for analysis and policy making. They can facilitate the analysis of interdependencies both among sectors within and between national economies. They can be used for purposes of extrapolation, forecasting or normative studies. For full and proper utilization of models and other formalized methods of quantitative analysis, there is need for a continuing dialogue between policy makers and model builders. In this dialogue, on the one hand, alternative policy targets and implications should be clearly formulated so as to guide the selection of the development perspectives explored through the use of existing models as well as to guide further work on model building. On the other hand, the results of systematic quantitative analysis should provide a consistency check on the various lines of policy that policy makers are proposing; at the same time, quantitative analysis may reveal other policy options on which policy makers have not yet focused.

91. Ideally, there should be linkages between models at the world, regional and even national levels, between models for over-all and sectoral development, and between models for short-, medium- and long-term development. Although for this reason there needs to be some harmonization and convergence among modeling studies carried out in various global, functional and regional organizations of the United Nations system, it will not be desirable to impose a rigid co-ordination among such studies. There is, in fact, an advantage in a plurality of diversified approaches: it provides a means of cross-checking the results of the projections work of the various organizations.

92. The Committee fully endorses the importance of the various studies and projections on long-term development that are in the process of execution. It considers these studies to be an essential ingredient of the continuing process of policy formulation. Several of these studies are expected to provide a useful background to discussions on the formulation of a new international development strategy.

93. In the course of the present report we have identified several topics of which it would be particularly valuable to have further studies, including quantitative studies, as the debate about international development strategy moves towards its next time of decision a year or two hence. For its own work, the Committee would be grateful, in so far as it proves possible, to have the Secretariat make and/or gather, from other organizations, studies of the following kinds - which also, clearly, can be of use to other participants in the impending discussions:

(a) Quantitative perspectives to the years 1990 and 2000 of the growth of gross domestic product of different groups of countries that would be consistent with targets for per capita economic growth of the group of poorest or low-income developing countries - for example, as suggested in paragraph 43 above, the target of at least doubling the per capita incomes of the poorest countries by the end of the century;

(b) Estimates of possible scenarios for reaching the Lima target for industrial redeployment with analyses of the implications as to adjustment, adjustment policies, employment and capital requirements in various groups of countries, taking account also of regional or subregional groups under various economic-integration schemes;

(c) The needs for expansion of world food production by 1990 and 2000 by country groups; in particular the feasibility and implications, both national and international, of increasing food production in the poorest countries by the year 2000 to levels consistent with increase in per capita income:

(d) Similarly and within the same time frame, an examination by country groups of world energy requirements and supplies, with particular attention to the needs of the poorest countries and, albeit realistically, to renewable as well as non-renewable sources;

(e) Along with the food study in (c) above, estimates in the same time frame of internal and external requirements for meeting such other dimensions of basic needs as lowered infant mortality and improved literacy in the poorest countries;

(f) Within the context of the structural changes needed for world development, a study or studies focusing on the benefits, including implications in respect of economic performance and welfare, and the corresponding costs, which the new international economic order can bring to various groups of economies;

(g) A paper on possibilities of international taxation for promoting economic and social development, taking into account the recommendations made by the Committee for Development Planning in this respect in its reports on its sixth, ninth and eleventh sessions; 5/

(h) Papers on other selected topics, namely:

- (i) Exploration of possible groups of countries, developing as well as developed, which might be useful for work on a new international development strategy;
- (ii) The relation between demographic trends and economic and social development;
- (iii) Food marketing systems in different countries;
- (iv) Issues and actions relating to transnational companies.

Where feasible and appropriate these studies should make use of both the Global Econometric Model and the Global Input-Output Model, taking care to base both models on the same or similar assumptions.

5/ Official Records of the Economic and Social Council, Forty-ninth Session, Supplement No. 7 and corrigendum ; *ibid.*, Fifty-fifth Session, Supplement No. 5: and *ibid.*, Fifty-ninth Session, Supplement No. 4.

94. The Committee also recommends further extension and strengthening of studies on long-term development by various organizations of the United Nations system. In this connexion, it has taken note with satisfaction of the programme of research projects on long-term development issues to be undertaken on a co-operative basis by these organizations. It would be desirable to undertake studies that help to analyse economic and social problems in an integrated manner and to improve economic and social indicators.

IV. IDENTIFICATION OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

95. In accordance with General Assembly resolutions 32/93, 32/94, 32/100 and 32/101, the Committee examined information relating to Djibouti, Tonga, Guinea-Bissau and Seychelles in order to ascertain whether they could be included in the list of the least developed among the developing countries (see General Assembly resolutions 2768 (XXVI) and 3484 (XXX)). It also examined, for the same purpose, information relating to Angola and Sao Tome and Principe. ^{6/} The Committee had initially reviewed data relating to these two countries at its thirteenth session, in accordance with General Assembly resolutions 31/187 and 31/188, but, in view of the short-comings of the data then available, it had decided to re-examine the situation of these two countries at the present session. ^{7/}

96. In order to ensure intercountry comparability, the information for the six countries in question was examined on the same basis as that used in 1975 in the Committee's most recent general review of the list of the least developed countries. At that time the Committee had made its recommendation with the help of three major indicators, namely, average annual per capita gross domestic product of \$125 or less in 1970-1972, average share of manufacturing in gross domestic product of 10 per cent or less in 1970-1971, and a literacy ratio of 20 per cent or less in 1970 or in a year as close to 1970 as possible. The data now available to the Committee on per capita gross domestic product, the share of manufacturing in total output and the literacy ratio for the six countries in question do not suggest that any of the countries satisfies the stipulated criteria for inclusion in the list of the least developed among developing countries.

97. The Committee is aware, however, that substantial upheavals have occurred in recent years as a result of world events or special local factors, including, in particular, the long struggle for independence that had to be waged by several of the countries. It notes that various special measures have been initiated by the General Assembly in the past few years to meet the special problems that have arisen. The Committee has in mind such measures as the Special Programme to mitigate the adverse consequences for many countries of the surge in prices of essential imports, as adopted by the Assembly at its sixth special session (resolution 3202 (S-VI)), assistance to the newly independent and emerging States (resolution 3421 (XXX)) and relief measures and other programmes in response to natural disasters. It notes, too, that the General Assembly, in the resolutions in which it requested the Committee to consider the question of the inclusion of the aforementioned countries in the list of least developed countries, called on Governments and the international organizations to initiate special measures of assistance to benefit these countries.

^{6/} In its resolution 32/96 the General Assembly noted that the Committee would examine the question of the inclusion of Sao Tome and Principe in the list of the least developed countries at its fourteenth session.

^{7/} See Official Records of the Economic and Social Council, Sixty-third Session, Supplement No. 4, paras. 82 and 83.

Against this background the Committee considered whether recent emergencies or severe upheavals should be considered explicitly, as an additional and temporary criterion, in deciding whether countries could be included in the list of least developed countries.

98. The Committee came to the conclusion that it would be appropriate, in principle, to take into account all information that would help to shed light on the real situation of the countries concerned. At the same time, in order to ensure a fair and just process, such a procedure could not be applied selectively. Use of information relating to a more recent period, or other criteria than were used in 1975, would call for a general review in which the claims of all developing countries would need to be considered on an equal footing, as well as a review of the criteria for identifying the least developed countries. This the Committee did not feel it was in a position to undertake at its fourteenth session. The Committee wishes to emphasize that the list of the least developed countries was identified and approved in the context of special measures to enhance the capacity of countries to benefit fully and equitably from the policy measures for the Second United Nations Development Decade.

99. These considerations lead the Committee to recommend that the present list of the least developed countries should stand until the end of the current development decade. In the meantime, it would be glad to examine the revised and improved data that might become available. The Committee is also of the opinion that the special difficulties and upheavals mentioned earlier require special measures. Indeed, in view of such circumstances, the countries mentioned in paragraph 95 should be assisted during the remainder of the current decade. As noted, the General Assembly has already initiated special measures in their favour. The Committee has made a number of observations relating more generally to the problems of different groups of developing countries (see paras. 45-55 above). These questions will engage the Committee's attention in the period ahead, and it hopes to have something more substantial to say as it focuses in greater detail on elements of an international development strategy for the 1980s.

V. ARRANGEMENTS FOR FUTURE WORK

100. In accordance with General Assembly resolutions 2626 (XXV) and 2801 (XXVI) and Economic and Social Council resolution 1625 (LI), the Committee has the responsibility of preparing comments and recommendations relating to the biennial over-all review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade. The fourth over-all review and appraisal is scheduled to be made by the General Assembly, through the Economic and Social Council, in 1979. In addition, in its resolution 2125 (LXIII) the Council has requested the Committee to identify possible elements of a new international development strategy. Thus, in line with its mandates, the Committee has decided to place the following two items on the agenda of its fifteenth session, which is scheduled to be held, as determined by the Council, from 26 March to 7 April 1979 at United Nations Headquarters in New York:

(1) Preparation of comments and recommendations relating to the fourth over-all review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade;

(2) Preparation of a framework for a new international development strategy.

101. Within the resources available to it for 1978, the Committee has decided to convene two working groups in the latter part of this year. One working group, consisting of seven members, will discuss the findings and conclusions of the quantitative studies relevant to the preparation of a new international development strategy which are referred to in paragraph 93 above. Another working group, consisting of eight members, will discuss development strategies and policies for the 1980s, taking into account the progress made and the problems encountered in the implementation of the International Development Strategy for the 1970s. Each of these working groups, which will meet for a week, may include one or two co-opted members so as to enable the Committee to benefit from the specialized knowledge of certain persons on selected topics. The deliberations of the working groups and their notes and drafts will be designed to facilitate the task of the Committee at its fifteenth session.

Annex

LIST OF DOCUMENTS

<u>Document number</u>	<u>Title</u>
A. <u>Documents of the Committee a/</u>	
E/AC.54/16	Provisional agenda for the fourteenth session
E/AC.54/L.94 and Corr.1	Salient features of economic co-operation among developing countries: paper prepared by the Secretariat <u>b/</u>
E/AC.54/L.95 and Add.1-2	Provisional alternative extrapolations of key economic trends: paper prepared by the Secretariat <u>b/</u>
E/AC.54/L.96	Viable integration and the economic co-operation problems of the developing world: paper prepared by Germánico Salgado Peñaherrera, member of the Committee
E/AC.54/L.97 and Corr.1	Multiregional and multisectoral economic extrapolations based on the global input-output model: paper prepared by the Secretariat <u>b/</u>
E/AC.54/L.98	Development trends since 1960 and their implications for a new international development strategy: paper prepared by the Secretariat <u>b/</u>
B. <u>Other texts</u>	
(a) <u>General Assembly resolutions</u>	
32/57	Examination of long-term trends in economic development
32/93	Assistance to Djibouti
32/94	Assistance to Tonga
32/96	Assistance to Sao Tome and Principe
32/100	Assistance to Guinea-Bissau

a/ See also para. 86 and foot-note 4 of the report.

b/ Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs.

<u>Document number</u>	<u>Title</u>
32/101	Assistance to Seychelles
(b) <u>Economic and Social Council resolutions</u>	
2090 (LXIII)	Examination of long-term trends in the economic development of world regions
2125 (LXIII)	Assessment of the progress made in the implementation of General Assembly resolutions 2626 (XXV) entitled "International Development Strategy for the Second United Nations Development Decade", 3202 (S-VI) entitled "Programme of Action on the Establishment of a New International Economic Order", 3281 (XXIX) entitled "Charter of Economic Rights and Duties of States" and 3362 (S-VII) entitled "Development and international economic co-operation"
(c) <u>Economic and Social Council documents</u>	
E/6056	Collection of data and information relevant to the formulation of a new international development strategy: report of the Secretary-General
E/6056/Add.1 and Corr.1	Social development and a new international development strategy - Common elements of decisions of world conferences held in the 1970s: report of the Secretary-General
ST/ESA/76	Implementation of development plans - The experience of developing countries in the first half of the 1970s: paper prepared by the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat, <u>Journal of Development Planning, No. 12</u> (Sales No. E.78.II.A.1)

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