Folder Title:	Brandt Commission - Chronological Records - January 1978 - February 1978
Folder ID:	30124813
Series:	External Relations Vice President and Director records
Dates:	01/03/1978-02/10/1978
Fonds:	Records of the Office of External Relations
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Brandt Commission - Chronfiles, Jan - Feb. 1978

836/7/64

GOVERNOR
JAMMU & KASHMIR

Raj Bhavan
Jammu
January 3, 1978

Dear William,

What a lovely and original New Year Card!

It was wonderful seeing you in Gymnich and I very much hope that my involvement with Brandt Commission will give me a chance to have some long sessions with you and Bob one of these days.

Meanwhile all the best for the New Year.

Yours sincerely,

(L.K. Jha)

Mr. William Clark,
3407 Rodman Street, N.W.
Washington, D.C. 20008,
U.S.A.

836/1/65

January 3, 1978

Dear Dr. Mummery:

We have just received the address of the Brandt Commission offices in Geneva. It is:

56 Rue de Moillebeau
1211 ~~1209~~ Geneva 28
Switzerland

Their telex number is: 28.137 ICIDI/CH

The office will open, I understand, on January 9.

This is in answer to your letter of December 21.

Yours sincerely,

C

L. Peter Chatenay
External Relations Adviser
International Relations Department

Dr. David R. Mummery
Senior Lecturer in Law
The University of Auckland
Private Bag
Auckland, New Zealand

LPChatenay:mmh

OFFICIAL FILE COPY

836/1/63

Mr. Clark

AFP-147
LEAD BRANDT 2 (LUSAKA)
THE FORMER CHANCELLOR, WHO HEADS THE INDEPENDENT INTERNATIONAL COMMISSION ON DEVELOPMENT, DENIED THAT BONN WAU SELLING ARMS TO PRETORIA.
HE SAID THAT WHILE HE SERVD AS CHANCELLOR, HE HAD CHALLENGED ORGANIZATION OF AFRICAN UNITY (OAU) TO SUPPLY EVIDENCE OF ARMS DE BETWEEN BOON AND PRETORIA, ADDING THAT SUCH EVIDENCE WAS NEVER PRODUCED.
MR BRANDT STRESSED THAT IN 1978 WOGLD OPINION WOULD FOCUS ''IN A MORE INTENSE WAY THAN EVER ON APARTHEID IN SOUTH AFRICA.''
IN A VEILED REFERENCE TO THE GROWING CUBAN PRESENCE IN AFRICA, HE EXPRESSED THE HOPE THAT ''THE FUTURE FATE OF AFRICA BE SOLVED BY THE LEADERS OF AFRICA AMONG THEMSELVES.''
MR BRANDT SAID THAT HE ALSO ACCEPTED CRITICISMS LEVELLED AT HIS INTERNATIONAL COMMISSION - DESIGNED TO HELP SOLVE PROBLEMS FACING THE DEVELOPING WORLD - FOR TRYING TO DO WHAT MANY OTHER SIMILAR BODIES HAVE ALREADY ATTEMPTED. BUT HE ADDED: ''THAT IS MY CHALLENGE.''
MR BRANDT CONFERFOD HERE WITH PRESIDENT KAUNDA ON SEVERAL OCCASIONS, AS WELL AS WITH OFFICIALS OF THREE SOUTHERN AFRICAN LIBERATION MOVEMENTS: RHODESIA'S PATRIOTIC FRONT, NAMIBIA'S SOUTHWEST AFRICA PEOPLE'S ORGANIZATION (SWAPO) AND SOUTH AFRICA'S AFRICAN NATIONAL CONGRESS (ANC).
(NO PICKUP)
AFP BRN
AFP 17.33

GLGL
EF90 AFP - 130

WDC lat 830/1/62

GLGL
EF38 AXP - 128
AFP-146
LEAD BRANDT

LUSAKA, JAN.6 (AFP) - WILLY BRANDT, CHAIRMAN OF THE WEST GERMAN SOCIAL DEMOCRATIC PARTY (SPD), SAID HERE TODAY THAT THE SPD WOULD LAUNCH A CAMPAIGN THIS YEAR TO ISOLATE SOUTH AFRICA FURTHER AND CONTRIBUTE TO THE ELIMINATION OF PRETORIA'S APARTHEID POLICY.

HE SPOKE BEFORE HIS DEPARTURE FOR NAIROBI ON HIS WAY BACK HOME AT THE END OF A TEN-DAY VISIT TO ZAMBIA AT THE INVITATION OF PRESIDENT KENNETH KAUNDA.

MR BRANDT, A FORMER CHANCELLOR, SAID THAT THE SPD AND WEST GERMAN TRADE UNIONS WOULD, ALONG WITH OTHER WEST EUROPEAN COUNTRIES, LAUNCH A CAMPAIGN AIMED AT PUTTING PRESSURE ON PRETORIA FOR A CHANGE IN ITS RACIST POLICIES, STARTING NEXT APRIL.

BUT HE MADE CLEAR THAT THE FUTURE OF SOUTH AFRICA WOULD ULTIMATELY BE DECIDED BY SOCIAL AND POLITICAL FORCES WITHIN THAT COUNTRY.

HE SAID THAT HIS PARTY HAD ALREADY URGED BONN TO REVIEW ITS POLICY OF PROVIDING GUARANTEES FOR EXPORTS TO SOUTH AFRICA, NOTING THAT ''DEVELOPMENTS IN SOUTH AFRICA, IN OUR OPINION, DO NOT JUSTIFY EXPORTS AND INVESTMENTS SUPPORTED BY GUARANTEES GIVEN BY THE (WEST GERMAN) GOVERNMENT.''

MR BRANDT ALSO CALLED FOR CLOSER CONTACTS BETWEEN HIS COUNTRY AND AFRICA, BUT ADDED: ''WE IN THE GERMAN SOCIAL DEMOCRACY DO NOT WANT TO MAKE AFRICA AN EXPORT MARKET FOR OUR MODELS AND OUR SPECIFIC PROGRAMS... NOR DO WE WANT AFRICA TO BECOME A BATTLEFIELD OF CONFLICTING POWER BLOCKS.''

MORE BRN 1
AFP 17.30

GLGL
EF79 AFP - 129

836/1/61

American Banker

(For Bonn

THE ONLY DAILY BANKING NEWSPAPER

525 WEST 42ND STREET · NEW YORK, N.Y. 10036 TELEPHONE: 212 563-1900 · CABLE: "AMERBANKER"

ESTABLISHED 1836

January 10, 1978

Mr. William D. Clark
Vice President - External Relations
World Bank
1818 H. Street
Washington, D. C.

Dear Mr. Clark:

The American Banker will publish its annual special edition covering the U. S. and international banking on March 10, 1978.

I would like to suggest to you that an article by Willy Brandt on any aspect of the work of the Independent Commission for International Development Issues would be of considerable value to the banking commuinty. The importance of the Commission's work and Mr. Brandt's stature would of course insure any substantive discussion by him would be one of the principal, if not the principal, articles in the edition.

Please feel free to call me at any time to discuss this matter. We are making a special effort to make this year's edition an outstanding one and we are most anxious to have Mr. Brandt's contribution.

The article and a photograph of Mr. Brandt should reach us by February 20 in order to meet our production deadlines.

With many thanks for your consideration and cooperation, I am

Yours truly,

H. Bradford Henderson
Editor

HBH/tc

836/1/52

For Geneva

Princeton University WOODROW WILSON SCHOOL
OF PUBLIC AND INTERNATIONAL AFFAIRS
PRINCETON, NEW JERSEY 08540

January 11, 1978

Mr. William Clark
Vice President, External Relations
International Bank for Reconstruction and Development
1818 H Street, N.W., Room E823
Washington, D.C. 20433

Dear Mr. Clark:

Sven Burmester called today to say that you had reacted sympathetically to my thought of placing one of our first-year graduate students as a summer intern in Geneva with the new commission headed by Willy Brandt. Sven also said that since you were going to Geneva this Friday, you would be willing to carry along résumés of the students I have in mind. I am most grateful, and hope this letter reaches you in time.

The two I propose for consideration are Nilgun Gokgur and Kim Golden:

1) Nilgun Gokgur, a charming, bright, energetic young Turkish woman, is concentrating here studies in the field of modernization and development. She is most desirous of spending her required summer internship with an international organization abroad and was the one who called the Brandt Commission to my attention as the most exciting opportunity she could think of. Nilgun has firm command of French and German.

2) Kim Golden is one of the most interesting of our first-year students, having come out of Oberlin with two degrees, one a B.A. in government, the second, a Bachelor of Music as a concert violinist. His coming to the Woodrow Wilson School reflects his decision to pursue a career in public affairs rather than in the concert field. He is proving to be a very serious student, particularly in economics, and shows tremendous discipline in his studies. His interests are trade relations between industrial and developing countries, and among industrial nations. His command of German, and his musical and cultural background, should serve him in good stead in Geneva.

The Woodrow Wilson School requires each student in our two-year graduate program to spend the summer between the first and second years working at a professional level in an agency or organization appropriate to the particular student's specialty and career interests. We prefer that these be paid internships, but should this not be possible, the School is prepared to provide a modest stipend as well as pay for the international travel costs. Our principal interest is the quality of the work opportunity. A summer with the Brandt Commission is an exciting prospect.

I would also like to pursue your coming to the Woodrow Wilson School to talk about the Bank from your perspective. As you may know, Vincent Riley is spending his sabbatical year at the School, and I had suggested to him as well the possibility of your coming here. He would be pleased to assist in the arrangements.

Thank you for your willingness to be of help. I look forward to being in touch with you upon your return from Geneva.

Sincerely,

Jay Bleiman

Junius J. Bleiman
Director of Graduate Placement and
Director, Mid-Career Program
(609) 452-4812

JJB/ad

Enclosures

836/1/59

January 20, 1978

Mr. Goran Ohlin
Executive Secretary
Independent Commission on
International Development Issues
56 Rue de Moillebeau
1211 Geneva 28, Switzerland

Dear Goran:

It will not surprise you if I tell you that we, in External Relations including IPA, are getting a large number of enquiries about ICIDI. We have three papers showing your terms of reference, the Statutes and the list of members and can hand them out. They contain the information requested, in most all cases. Questions on financing also come up. We usually answer that some governments, such as the Dutch, and other sources such as the Canadian Development Research Center, are providing funds and that the Bank is not. There are also questions about the timing of your exercise, when the report will be out, etc. To this, we say that we understand the Commission will aim to conclude its work within 18 months but that on some subjects discussed in international meetings, for example Trade in UNCTAD 5, the Commission may wish to come out with "something" before 18 months are gone.

We continue, naturally, to insist on the first of your "Is" (Independent) but also add that World Bank documentation may be a source which ICIDI may find important.

For all of these reasons, we wonder whether you should not consider how to provide information in North America and perhaps in other lands on what you are doing, through channels of your own. I don't mean to suggest we should stop being helpful. But if we are the only source of news on ICIDI on this side of the Atlantic, the non-connection between ICIDI and the World Bank may become less believable over time.

Finally, I have had a telephone call from Harry Neustein in New York who tells me he has become a ~~one-dollar-a-year~~ consultant with you and will be your man on "industrial economics". He does not believe, says he, in Transfer of Technology but sees the solution (if I understood him well) in accelerating the pace at which multinationals invest in the Third World. If that is his view and if you were about to buy it, it might be prudent first to refer to debates in the UN on the subject.

This leads to my last point. If you could keep me posted on the way in which your secretariat is building up, I would be grateful. Lots of people in the Bank call me about how your team is coming together.

I do hope all is well with you, the offices comfortable and the restaurant downstairs as convenient as it seemed when we were together there with Fritz, in November.

Yours sincerely,

L. Peter Chatenay
External Relations Adviser
International Relations Department

cc: Mr. William Clark
Mr. Sankaran
Mr. Avramovic (in D.C.) /

LPChatenay:mmh

136/1/56

INTERNATIONAL
Herald Tribune

21 rue de Berri - 75380 Paris Cedex 08
Tel. 225 28 90 Telex: 280 509 Cables: Herald Paris

Reply to: 515 Liverpool Road,
London N7.

Tel: 607 5531

20th January, 1978

Dear William,

At last my interview with Willi Brandt has been set for the 16th February. He has agreed to give me a good 4 hours and so the question is, what questions?

If you have any ideas of things you think I should raise with him, I'd really like to hear from you by return airmail.

With warmest greetings and many thanks for the efforts you made to pull off the interview.

Yours sincerely,

Jonathan

Jonathan Power,

William Clark,
The World Bank,
1818 'H' Street NW,
Washington DC 20433.

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Herald Tribune
21 rue de Berri - 75380 Paris Cedex 08
Tel. 225 28 90 Telex: 280 509 Cables: Herald Paris

Reply to: 515 Liverpool Road,
London N7.

Tel: 607 5511

20th January, 1978

Dear William,

At last my interview with Willi Brandt has been set for the 16th February. He has agreed to give me a good 6 hours and so the question is, what questions?

If you have any ideas of things you think I should raise with him, I'd really like to hear from you by return airmail.

With warmest greetings and many thanks for the efforts you made to pull off the interview.

Yours sincerely,

Jonathan Power,

William Clark,
The World Bank,
1818 'H' Street NW,
Washington DC 20433.

THE UNIVERSITY OF AUCKLAND
PRIVATE BAG · AUCKLAND · NEW ZEALAND · TELEPHONE 74740

INGENIO ET LABORE

19 January 1978 836/1/60

Mr L. Peter Chatenay,
External Relations Adviser,
International Relations Department,
The World Bank,
1818H Street, N.W.,
Washington D.C., 20433,
U.S.A.

Dear Mr Chatenay,

Thank you for your letter of January 3 1978 giving me the address of the Brandt Comission offices in Geneva.

Yours sincerely,

David R. Mummery
Senior Lecturer in Law

AFFIX STAMP HERE
NEW ZEALAND

BY AIR MAIL

AEROGRAMME

If anything is enclosed, this form will be surcharged at rate for Air Mail Letters.

Mr L. Peter Chatenay,

External Relations Adviser,

International Relations Department,

The World Bank, 1818H Street, N.W.,

Washington D.C., 20433, U.S.A.

First fold here

Second fold here

SENDER'S NAME Dr D.R. Mummery

Faculty of Law

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PRIVATE BAG, AUCKLAND,

NEW ZEALAND

Croxley
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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

836/1/5 I

TO: Files DATE: January 26, 1978

FROM: William Clark hpc

SUBJECT: Conversations in Bonn - Sunday/Monday January 15/16

I spent Sunday evening with Fritz Fischer and 10-12 Monday morning with Brandt and Fischer. The one topic raised with both was the future plans for the Commission and particularly its Secretariat. We talked very extensively and very frankly and I will only record our agreements without the argumentation (there were no disagreements).

1. W.B. expressed his wish, strongly, to keep in touch personally with RSM and the Bank through WDC personally and via Fritz Fischer. He would like Fischer to visit Washington and New York in February to keep W.B. informed independently of Bank and U.N. opinion.

2. W.B. made it quite clear that he would be primarily responsible for the final Report; he had found support for this from Desai, Nyerere and Kaunda on his recent trip, and from some western countries with which he was in constant touch. To his surprise he found that Fukuda was anxious for W.B. to take a lead which Japan would find it easy to follow. (Japan is thinking of a real change in its LDC policies, but W.B. is unclear what it would be except that he thinks it is primarily a trade policy which he gathers USA and Strauss do not consider sufficient.)

3. He planned to make his role clear to the Secretariat and would urge them to appoint people with expertise in the subjects he was interested in pursuing. He would see Avramovic next Monday 23rd and speak about this, as he already had to Ohlin.

4. The first set of papers produced by the Secretariat for the March 10-12 Meeting would be a survey of 'development so far', and from the discussions on this future topics for intensive discussion would be chosen. Copies of Morawetz are to go to all participants.

5. At the Geneva meeting on Thursday 9th there will be an opportunity for "eminent persons" to testify, e.g. Mahbub. Their statements will be circulated also for perusal by all Commissioners. W.B. himself is preparing a paper on 'mutual interests' between North and South for this meeting. We discussed this issue at considerable length. W.B. feels this is his crucial input to try and break the traditional deadlock between North and South. He is aware that he will need to brief himself on some issues in order to guide the Secretariat, and is anxious to keep a personal line open to RSM and the Bank. He asked that I try to see him between meetings so that we can talk at length, and he would like me to keep open a line direct to Fischer for some of the Bank's think material. (I should discuss this with Stern and RSM).

6. The third meeting would be in May, preferably in a 'poorest' country, probably Mali. The fourth, at the end of August, would be slightly longer, in the U.S. probably near New York to save travel time. Perhaps the Ford Foundation would help (Airlie House?).

7. Speaking about his travels W.B. said that he was very encouraged in India by the skilled enthusiasm of the many senior Indians he met, for his approach to the North-South deadlock. In Tanzania he noticed real progress in the war on poverty, and a hopeful attitude on the part of Nyerere, Jamal etc. He found Kaunda less sanguine and noted the absurdity of Zambia importing its food. W.B. seems impressed by the need to increase small farmer productivity everywhere. He is also very shocked by the amount of unemployment in LDCs and feels that any solution to poverty must concentrate on productive job creation.

8. W.B. much impressed by Jamal's standing in Tanzania and especially with Nyerere. Nyerere supports Brandt strongly and will ensure that Jamal is able to attend all meetings. Jamal wants to concentrate on view to year 2,000, not just on the decade. W.B. agrees and is anxious to show that there is hope in development so far.

9. W.B. finds general agreement in Africa and India that there is a logical link between arms reduction and flow of resources, but little support for the simplistic Russian offer that money for aid should be dependent on an arms reduction. He sensed that the Russian attitude to development was scorned by most of Africa. He still intends to try and get the Eastern bloc involved in development - but not in the Commission.

10. He expects to see Manley soon after he has visited Scandinavia. It is the German foreign office view that Manley is beginning to move away from Cuban style politics and may be persuaded to be more reasonable in his leadership of the '77.

WDClark:sf

cc. Mr. McNamara, Mr. Stern,
Mr. Karaosmanoglu,
Mrs Boskey/Chatenay
Mr. Merriam

cc Mr Noonan

Dr. Fritz Fischer
c/o Office of Willy Brandt

Ollenhauerstr. 1
D 5300 Bonn, January 26, 1978

836/1/56

Copy to Mr. William Clark

Mr. H. Bradford Henderson
Editor of the American Banker
525 West 42nd Street

New York, N.Y. 10036

Dear Mr. Henderson,

William Clark has forwarded your letter of 10 January to me in which you suggested a contribution of Mr. Willy Brandt for the annual special edition to be published on March 10, 1978.

I have talked to Mr. Brandt, who will give it sympathetic consideration if you could kindly provide us with some more information on the article (length, title, contents, etc.) and perhaps send us some samples of your paper.

Hoping to hear from you soon, I am,
with best regards,

Yours sincerely

Fritz Fischer

file Brandt

February 7, 1978
3 p.m.

836/1/55

William:

Ian Scott called from Bogota to say Rodrigo Botero was asking for Bank documents, e.g. country economic reports, trade data etc. concerning the Latin American region, the sort of stuff John Holsen and Nick Carter (EPD) put out.

I said Scott could ask Holsen directly and that we would be glad to help if needed. I thought Botero should also try to work via Goran and Drag in Geneva -- at least keep them informed.

Scott wanted to know whether VPE had to clear these requests and I said "No" but that we would like to be kept informed and would help Botero get what he thought he needed, as much as we could.

PC

Peter Chatenay

Correct

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

IMPORTANT: PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

836/1/54

Class of service: TELEX ICIDI

Telex No.: 28188

Date: FEBRUARY 8, 1978

Originator's Ext.: 72781

START HERE

TO GORAN OHLIN

CITY/COUNTRY GENEVA, SWITZERLAND

MESSAGE NO.:

RECEIVED YOUR LATEST TELEX. PLEASE CONVEY MY GRATEFUL THANKS TO MR. WILLY BRANDT FOR THE INVITATION TO JOIN THE COMMISSIONERS ON MARCH 9 AND 10. I SHALL BE DELIGHTED TO DO SO. LOOKING FORWARD TO SEEING YOU SOON AND WITH WARMEST PERSONAL REGARDS. MAHBUB

END OF TEXT

SUBJECT:

CLEARANCES AND COPY DISTRIBUTION:

DRAFTED BY: MHaq:lc

AUTHORIZED BY (Name and Signature): Mahbub ul Haq, Director Mahbub ul Haq

DEPARTMENT: PPR

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28188 ICIDI CH

(Telex NO.)

INCOMING TELEX

sd

Distribution: Mr. Haq

Feb. 8 78

0208 1430 013

FOR MR. MAHBUB UL HAQ. FOLLOWING IS THE TEXT OF MESSAGE SENT YOU FEB 2 QTE I BELIEVE YOU ALREADY KNOW MR. WILLY BRANDT IS ANXIOUS TO HAVE YOU ADDRESS COMMISSION AT OPENING OF NEXT MEETING AND I WOULD LIKE TO MAKE SURE WHETHER YOU ARE IN FACT AVAILABLE TO COME.

MEETING WILL BE AT MONT PELERIN, AN HOUR'S DRIVE FROM GENEVA, AND IT IS HOPED YOU COULD ARRIVE ON MARCH 9 TO DINE WITH THE IRMAN AND MEMBERS, SPEND EVENING, AND ADDRESS COMMISSION AT MORNING SESSION, TOGETHER WITH CHEYSSON AND TINBERGEN, IF THIS SEEMS POSSIBLE YOU WILL HAVE FORMAL LETTER INVITATION PROMPTLY. REGRET SHORT NOTICE BUT HOPE TO SEE YOU SOON. OF COURSE IF THIS TIME INCONVENIENT, THERE WILL BE ANOTHER MEETING LATER. PLEASE ANSWER TO ICIDI,TELEX 28188 GENEVA. BEST PERSONAL REGARDS

RAN OHLIN UNQTE.

NO NEED TO REPLY AS I TALKED TO YOU, BUT YOU WILL HAVE BRANDT ETTER SOON. REGARDS GORAN

ICIDI

1.2. Brandt

t+C
836/1/53

INDEPENDENT COMMISSION ON INTERNATIONAL DEVELOPMENT ISSUES
COMMISSION INDEPENDANTE SUR LES PROBLEMES DE DEVELOPPEMENT INTERNATIONAL

Chairman WILLY BRANDT Président

30 January 1978

Mr. L. Peter Chatenay
External Relations Adviser
International Relations Department
The World Bank
1818 H Street, N.W.,
Washington, D.C. 20433
U.S.A.

Dear Peter,

Thank you very much for your letter of January 20, and for all the help you in External Relations have been giving us by taking care of inquiries about ICIDI.

I think that, regardless of what can be done to create other channels of information, you will get such queries in the future as well, and you should in any case be provided with up-to-date information about the Commission. I hope we shall be able to do something about that as soon as we have got our house in slightly better shape.

Precisely what should be done about press relations in North America, I do not know. I cannot envisage setting up an office there for that sole purpose, and even if one added some other duties I really doubt we could justify a liaison office, especially while we are so short-staffed here. Perhaps one could direct enquiries to Mrs. Graham's office? I would obviously have to check that with WB and her. I am grateful to you for bringing it up.

As to Mr. Harry Neustein, I suggest you direct your complaints to William Clark who performed the introduction.

The present staffing pattern on the professional side is that besides Drag, Robert Cassen and myself, we have Justinian Rwayemamu (Tanzania) and Liaqat Ali (Canada) here and expect S. Guhan from India. We shall probably have two more permanent ones. There is no telling yet who they might be. Then we shall avail ourselves of consultants on a number of special issues.

.../...

I attach very great significance to the administrative side, especially in view of the great demands that will be placed on it in connection with the Commission meetings, and I am glad to say the situation looks very good there.

So far the spirit of the place is terrific, and the offices fine - though they will be cramped rather sooner than we thought. The restaurant situation is quite OK, and the bank manager whom you impressed so successfully has been exceedingly helpful and pleased to see our money start rolling.

I am currently working on a presentation of the organization and budget of the Commission for the benefit of donors, which is of course essential. I am glad I did not do it earlier, because what with the dollar rate and all, it would have been impossible to come up with a worth-while product. By now I think I have got the cost level reasonably right. With a larger Commission, a longer working period, and a lighter dollar the budget will be considerably larger than we thought at first and I should perhaps ask you to stop any mention of the figure of two and a half million dollars.

Best Regards,

Yours sincerely,

Goran O.

Goran Ohlin
Executive Secretary

INCOMING TELEX

DISTRIBUTION: 036/1/51 WO

BOGOTA FEBRUARY 8/78

Mr.A.J.Favilla.

Mr.P.L.Chatenay.

Mr McNamara

FAVILLA INFO CHATENAY

I would favour giving Ian Scott full discretion any objection. A.D.C.

122

PRIMERO, RODRIGO BOTERO, IN CAPACITY AS MEMBER OF BRANDT COMMISSION HAS ASKED IF FOLLOWING IBRD MATERIAL WOULD BE AVAILABLE TO HIM.

AAA RECENT ECONOMIC REPORTS ON LATIN AMERICAN COUNTRIES.

BBB ANY AVAILABLE COMPARATIVE ANALYSIS AND/OR COMPARATIVE STATISTICAL DATA ON LATIN AMERICAN ECONOMIES.

CCC ANY AVAILABLE WORLD TRADE DATA ON REGIONALIZED BASIS COVERING LAST DECADE

DDD ANY COMPARATIVE STATISTICS (SUCH AS THOSE PRESENTED IN SOCIO-ECONOMIC DATA SHEETS) COVERING LATIN AMERICAN COUNTRIES.

SEGUNDO, HE FULLY UNDERSTANDS RELATIONSHIP BETWEEN BANK AND BRANDT COMMISSION AND I HAVE TOLD HIM THAT MATERIAL CITED ABOVE MAY NOT BE AVAILABLE. THUS, IF WE REJECT REQUEST THERE SHOULD BE NO EMBARASSMENT. IT IS CLEAR HOWEVER THAT HE MADE THIS REQUEST IN LIGHT OF HIS DISCUSSIONS AT BANK LAST DECEMBER.

REGARDS

SCOTT

836/1/53

DRAGOSLAV AVRAMOVIC
INDEPENDENT COMMISSION ON
INTERNATIONAL DEVELOPMENT ISSUES
56 RUE DE MOILLEBEAU CH 1209, GENEVA
SWITZERLAND

FEBRUARY 10, 1978

7-5451

TELEX 28188 OR
28137

AS DISCUSSED OVER PHONE SUGGEST FOR YOUR CONSIDERATION FOLLOWING PARAGRAPH COLON ASSISTANCE FROM THE INTERNATIONAL FINANCE INSTITUTIONS STOP SHIFTING VIEWS IN THE INTERNATIONAL COMMUNITY CONCERNING DEVELOPMENT PRIORITIES AND THE CHANGING IMPORTANCE OF THE VARIOUS SOURCES OF CONCESSIONARY DEVELOPMENT FINANCE HAVE LED THE MULTILATERAL AGENCIES TO SEEK TO STRENGTHEN THEIR CAPITAL RESOURCE POSITIONS THROUGH NEW SUBSCRIPTIONS AND CONTRIBUTIONS BY MEMBERS. IN THE CASE OF THE IBRD COMMA ANOTHER FACTOR HAS BEEN THE CONSTRAINT ON THE EXPANSION OF ITS LEVEL OF COMMITMENTS COMMA DERIVING FROM ITS EXISTING CAPITAL STRUCTURE AND FINANCIAL PROCEDURES PERIOD A REVIEW BY THE MANAGEMENT AND EXECUTIVE BOARD OF THE IBRD"S FUTURE ROLE IN DEVELOPMENT AND THE ASSOCIATED CAPITAL REQUIREMENTS COMMA IS NOW UNDERWAY PERIOD AS A FIRST STEP COMMA A SELECTIVE CAPITAL INCREASE OF DOLLARS EIGHT POINT FIVE BILLION PARENTHESIS AN INCREASE OF TWENTYSEVEN PERCENT ABOVE CURRENT LEVELS PARENTHESIS WAS ACCEPTED BY MEMBER GOVERNMENTS PERIOD LEGISLATIVE ACTIONS ARE NOW IN PROGRESS AND SUBSCRIPTIONS TO SECURE THIS AMOUNT ARE EXPECTED TO BE COMPLETED DURING 1978 PERIOD ALTHOUGH NO SPECIFIC FIGURE HAS BEEN DETERMINED COMMA IT IS

(continued next page)

A.Karaosmanoglu,Acting VP

AKaraosmanoglu:mb

Development Policy Staff

DRAGOSLAV AVRAMOVIC
GENEVA

FEB. 10, 1978

SWITZERLAND

TELEX 28188 or
28137

GENERALLY AGREED THAT A SUBSTANTIAL CAPITAL INCREASE WILL BECOME NECESSARY BY 1983 TO SUSTAIN THE REAL GROWTH OF IBRD LENDING COMMITMENTS PERIOD AGREEMENT IN PRINCIPLE ON THE SIZE COMMA METHOD OF PAYMENT AND RELATED ISSUES WILL HAVE TO BE REACHED IN THE NEAR FUTURE PERIOD THE PRINCIPLE OF A SUBSTANTIAL INCREASE IN THE CAPITAL BASE OF THE IBRD HAS BEEN DISCUSSED IN VARIOUS FORA DURING THE PAST YEAR COMMA INCLUDING THE CIEC IN PARIS COMMA THE ANNUAL MEETING OF THE BOARD OF GOVERNORS IN WASHINGTON AND THE ECONOMIC SUMMIT IN LONDON STOP BEST REGARDS

A. KARAOSMANOGLU

AK

AKaraosmanoglu:mb

A. Karaosmanoglu, Acting Vice President
Development Policy Staff

Cleared with and

cc. Mr. Gabriel.
cc. Mr. McNamara
Mr. Wm. Clark

836/1/50

The Independent Commission on
International Development Issues

By Willy Brandt

On the day this issue appears, the Commission on North/South problems will be starting its second session. Thus, I welcome the opportunity to give a first account of this new body's origin, tasks and possibilities.

Similarly to the way in which the President of the World Bank suggested the setting up of the Pearson Commission in 1967/68 it was again Robert S. McNamara who put forward in a speech in Boston on January 14; 1977 the idea of an independent commission under my chairmanship. As McNarama put it:

1

> "In view of the continuing impasse at official levels, it seems to me that the chance of reaching such an understanding might be improved if a high-level, but deliberately unofficial commission were organized to analyze the problem, and to recommend action to be taken by both developed and developing nations. ... Such a commission cannot be expected, of course, to provide an instant, comprehensive, all-purpose solution to the problems of development -- for non exists. But what one can realistically expect from such a private, high-level independent group is the careful identification of those political decisions which can command public and legislative support in rich and poor countries alike, and hence enable the international community to break out of the current impasse."

Since at this time, the Paris North/South Dialogue (Conference on International Economic Cooperation) was still going on, it seemed essential that this conference should end before one could contemplate acting on the proposals. It was also important to make quite clear that if any such body were set up it would in no way preempt the decisions of governments and international organizations and would not assume

/2

the role of mediator. Its function would be solely to supplement these endeavours by making realistic and politically feasible suggestions in some key areas of international discussion.

At the end of the preparatory phase, I had the opportunity to hold an intensive exchange of views with political leaders from the northern and southern parts of our globe. The framework for these talks was provided by the annual meeting of World Bank/IMF in Washington and the UN-General Assembly in New York.

Even though I found a great amount of support for McNamara's proposals --from President Carter among others -- some serious reservations were also voiced by leading Third World Speakers. Basically they were prompted by the fear that -- after CIEC -- the industrialized countries might use this new body as a pretext for delaying decisions. I made it clear that I did not share these fears and that I certainly would not lend my hand to such attempts.

My decision of late September 1977 to launch this Commission was primarily based on the realisation that a solution of the grave North/South problems constitutes the main economic and social question for the rest of our century. It is a task of global dimensions and needs the active cooperation of many governments and peoples. In this endeavour, the experiences with "Ostpolitik" may encourage somewhat similar efforts on a world-wide scale to change the nature of a conflict and to rearrange the scene by identifying those fields of mutual interests that might lend themselves to common solutions.

Thus, all efforts in this field also have to be considered with a view to how much they can contribute to world peace. Their aim should be to reduce tension which might become dangerous unless the trend of perpetuating basic inequalities amongst nations can be reversed.

In view of the almost innumerable international organizations and conferences dealing with the question of creating a more just and equitable world economic order, one might well ask how such an additional body could be of any particular value. Apart from the fact that this "task force" is only going to exist for a limited period of time (some 18 months), the intention was not to increase the number of organizations by just one more. On the contrary, the underlying idea was to explore new roads and to bring about at least certain atmospheric changes. This concept is based on the conviction that mutually agreeable solutions would certainly be better than the continued exchange of proposals and counter-proposals.

For such tasks, a deliberately unofficial Commission might have some advantages. As I put it to my fellow Commissioners last December in my opening address:

" We are under no instructions. We do not carry the burden of national governments' prestige. And we are not forced to try and win 'victories' for our particular views. We can afford to seek the common interest and thus to make a helpful contribution to a policy of peaceful but speedy change. Such change can be brought about within the remainder of this century if both rich and poor nations are convinced of the necessity to act."

Of course, the expectations in our Commission should not be unrealistically high, but I do hope that our work may effectively contribute towards supplementing the difficult negotiations at international level.
In this context, the growing support for our endeavours - - expressed also by those who had uttered some reservations in the beginning -- +

s particularly comforting.

In the Commission, members from the developing countries are in a majority. I regard this as reasonable and justified, not only because it reflects to a certain degree the world in which we are actually living, but also because I wanted to get away from what might be called an artificial balance. Of course, it is our intention to arrive -- wherever possible -- at common recommendations. But if it were unavoidable, I would prefer dissenting votes in the Commission report rather than having an artificial agreement concealing the real issues.

The report which is expected to be drafted in about 18 months time will be designed to reach a wide public audience. If we have any important message -- as I hope we will -- it should be presented in such a way that the average citizen can understand it. We shall, therefore, try to write a readable report that will not only appear on the bookshelves of experts.

I consider it an essential responsibility of this Commission to improve public understanding for the need for speedier and far-reaching decisions in the North/South relations. The deplorable, extreme inequity amongst peoples must be seriously attacked.

I think that we in the developed countries have additional experience to draw on and which might help us to get our message through to the "man in the street" with convincing arguments: The evolution of our industrialized societies since the 19th Century has generally been in the direction of greater political and material participation by broader sections of the society -- as I believe -- to the benefit of the whole national community. The lesson that more equal distribution of growth and rights was in the interest of all -- had to be learned by the more conservative elements of the society. Now this principle in a number of countries is widely accepted and its stabilizing influence on society is generally appreciated.

Perhaps we can see here one of the paths forward for the greater involvement of more and more of the poorer nations in an increasingly co-responsible global society?

The Commission had its first meeting in early December 1977 at Gymnich castle near Bonn/Germany and will convene again now near Geneva/Switzerland. This body is anything but uniform. Its members not only have various backgrounds and experiences but also different convictions. It was, therefore, very stimulating and encouraging to note at our first meeting that there was a mutual understanding of the problems and a very constructive atmosphere to open up new roads of cooperation. Thus, the group managed to agree on a common work programme, the main elements of which can be described as follows:

1. The need for a new order of international economic relations will be our main concern.

2. While paying careful attention to UN resolutions on development problems and other issues explored in international fora, the Commission will concentrate on identifying desirable and realistic directions for international development policy in the next decade and beyond. As an independent body it is free to raise any inter-related aspects of the world situation.

3. The Commission will devoted particular attention to exploring the interdependence of both richer and poorer countries in the world economy as well as to the need for solutions to the world employment problems.

4. In its endeavours to stress the need for global efforts, the Commission will try to improve the prospects for a greater involvement of all countries, including the communist states, in international efforts. As far as these countries with centrally planned economies are concerned it is envisaged to establish contacts at expert level so as to pave the way -- in a non polemic form -- for a greater integration of these societies in world economic matters.

5. Last but not least the Commission will pay attention to the relationship between armaments and development.

The latest figures on arms expenditures - and the rising expenses in developing countries -- should be of general concern and are, therefore, one of the subjects the Commission will devote its attention to in the desire to make more financial and human resources available for assisting the establishment of self-sustained economies in various parts of the world.

When we decided on our "Terms of Reference", words like "aid" or "the rich helping the poor" have deliberately been avoided and replaced by the notion of interdependence and mutuality of interest. Thus, the Commission will attempt to shift the framework of debate. Public opinion in industrialized countries must be led to see the problem of international development in the light of having the developing countries achieve a just return for their own productive efforts. Development policy must be interpreted as cooperation for the benefit of all nations, and I repeat: it must lay the foundations for a lasting and secure peace.

As far as the financial independence of the Commission is concerned it should be pointed out that -- unlike the Pearson Commission -- it will not be financed by the World Bank. Instead, the operating costs will be met by untied contributions from a variety of donors, such as governments, foundations, etc. The Netherlands Government has been the first to pledge substantial support on these terms, other governments have joined in and more donors are expected.

The Commission's small Secretariat is located in Geneva. Professor Goran Ohlin from Sweden, who had worked for the Pearson Commission, is the Executive Secretary of the Commission and shares his responsibilities with the Director of the Secretariat, Dr. Dragoslav Avramović from Jugoslavia, who was with the

World Bank for a long time.

In order to fully utilize the experience of other international personalities and, thus, broaden the scope of its deliberations, a group of eminent persons will advise the Commission.I sincerely hope that our common endeavours will effectively contribute to improving substantially the fate of billions of people living in absolute poverty and having, thus, no chance to exercise even a minimum of human rights. I think this is a universal challenge to all of us which we can only meet if we step up our combined efforts.

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The Independent Commission on International Development Issues

Secretariat Paper 2

Second Meeting
10-12 March 1978

17 February 1978

The Record of Development

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THE RECORD OF DEVELOPMENT

Note by the Director of the Secretariat

1. The attached paper comprises section I of the secretariat paper "The Record of Development". It covers certain features of growth and structural change in the economies of developing countries in recent decades, and the level and trend of individual welfare as measured in a variety of dimensions. Section II, which covers some key international factors in development, including international trade, will be distributed at a later date.

2. Section I of the paper has attempted to describe the economic experience of the developing countries. It shows that as a group developing countries have had, in terms of aggregate growth rates, faster economic growth than the developed countries both recently and when the latter were at a comparable stage of development. But in per capita and also in absolute amounts of total product, the developed countries have advanced their already substantial lead. Growth has also been very varied for the developing countries, some of which have been growing much faster than others. This variation is noted in all aspects of the development record: in manufacturing growth, in agriculture, in employment, in all the indicators of individual welfare, some countries have done well in some respects, less well in others.

3. This experience cannot be readily summarised. The overall impression must be left with the reader of this paper of much that has been achieved and much that remains to be achieved. Several developing countries, though still suffering from the disabilities caused by their relative weakness in the world economy, are beginning to challenge the long historical dominance of the industrialised countries. At the other end of the spectrum, some developing countries are still struggling to establish foundations of modernisation and growth. In between lie a great variety of countries of differing economic make-up.

4. In terms of individual welfare, the backlog of unmet needs is obviously very great - in individual incomes, in health, in education, in nutrition, in shelter. This is true even in some of the most advanced developing countries for some sections of the population - not to mention the industrialised countries. To improve these standards of living and the dignity of life not for some but for all is the heart of the task for the developed and developing countries together in the international community. But there is no consensus over the best way of going about this task. It is essentially a political decision how different nations manage their economic efforts for development and how their societies share in the fruits of growth.

5. Mr. Robert H. Cassen was the principal author of the paper.

CONTENTS

List of Tables in Text

Annex

Table

THE RECORD OF DEVELOPMENT

Introduction

1. The record of development is a shorthand term to describe how the lot of mankind has changed since World War II in different parts of the world. It is important to refer at the outset both to the very wide diversity of the societies described as developing countries and to their unity. Many of the countries of Africa and Asia are nations emerging from colonial rule - in some cases less than twenty-five years ago - with strong cultural traditions but without the administrative machinery that they needed and had to build. Those in Latin America and Southern Europe have mostly existed as independent nation states for some considerable time. But all the developing countries have common features: they have been on the periphery of the world economy, exposed to forces they could not control, and have felt that they were not the masters of their economic destiny.

2. While the development expert tends to concentrate - as does the present paper - on the economic record, for many of these countries and their political leaders the chief preoccupation has been the establishment of viable nationhood: the creation of all the appropriate domestic, political and administrative institutions and the determination of the position of their countries in the international community. The political situation is a major factor in setting the boundaries of economic choice, the capacity for institutional change, or the extent to which desired progress will be blocked by social opposition. Yet here these considerations are left largely in the background.

3. However, if the record is depicted in terms of countries and various statistical indicators, that is not because this political history is thought to be unimportant. Rather, the coexistence of different political systems is accepted as it is within the United Nations, and regarded by the Secretariat as a given, not as a subject for discussion.

4. Analyses of economic growth in developing countries and the improvement of standards of living pay great attention to issues of economic management and planning. Questions have been asked by economists about strategies of development, and whether governments have found the right balance between sectors in the allocation of investment and other resources. Foreign trade regimes and import substitution policies of many countries have been criticised, but equally more serious questions can be raised regarding the relevance of neo-classical prescriptions of economic efficiency and their effects when they are tried in developing

countries. Fiscal policies have been the subject of comment, and the adequacy of taxation and savings efforts. The role of inflation in development has been the subject of innumerable books and papers, as have also been balance of payments, reserves and debt management. When it comes to the distribution of incomes, a large number of studies have pointed to the largely social and political factors which govern the evolution of society in this respect.

5. A great deal of international attention has been paid to the population issue. The extent to which economic growth and living standards are affected by rapid population increase remains a subject of intense dispute. There is, however, growing agreement over the two main issues that affect policy: firstly, the decline of fertility is increasingly regarded as a feature of general improvements in living standards, in health and education and social modernization. Deliberate attempts to assist fertility reduction by voluntary birth-control programmes play only a part - in the view of many, a limited part - in this process. Secondly, whatever policies are adopted, the current age-distribution of most developing countries' populations guarantees very substantial population growth for the next decades, even where - as is now commonly the case - fertility has begun to decline. International concern about population growth should thus find its main expression in the form of concern for living standards in the developing countries.

6. In what follows, attention to all these mainly domestic matters is largely incidental. The Secretariat has taken the view that this Commission would wish to have set before it a fairly detailed picture of the economic progress of developing countries both in terms of structural change in their economies and in levels of individual well-being. But when it comes to discussing the key factors in this historical progress, attention will be confined to those international issues which will be the main subject of the Commission's deliberations.

I.A. Structural change in the economy

7. The record of development may be looked at in terms both of macroeconomic change and of individual welfare. Many would hold that when countries are poor, they must concentrate their efforts on economic growth - this may not produce widespread improvements in living standards in the short run, but devoting resources to raising living standards now will be at the cost of being able to do so more rapidly in the future. Such a view is, of course, a matter of great debate: some would claim that growth produces benefits for all which are not negligible - that view, commonly referred to as the "trickle-down" theory, has not, on the whole, withstood examination, as the discussion below suggests; but it could be said that that discussion concentrates unduly on the fate of the poor, and that for a large share of the people of the developing world, living standards have improved as a result of growth.

8. The position that the poor must wait and that the immediate task is to improve the productive capacity of the economy is summed up by another phrase: "grow now, distribute later". This position too, as well as being a matter of political choice, contains scientifically controversial elements: here the debate is by no means settled. There is no agreement among economists about the "costs" to growth of egalitarian policies. Older views of growth stressed the importance of investment almost to the exclusion of other variables, and held that any policy which raised consumption reduced investment and, therefore, growth. Under simple assumptions within such a framework, the choice was between more consumption now or higher rates of consumption growth later.

9. Modern accounts more frankly confess that the causes of growth are not well understood, and that while investment matters for growth, so do many other things. Development strategies stressing consumer goods or social services and - which will have similar macro-economic effects - the generation of employment, may interfere with capital accumulation. But there are many possible offsetting effects: consumption gains may provide incentives and, especially where nutrition is poor, enhance labour productivity. That education contributes to economic growth is unquestionable, though difficult to quantify. A growing domestic market may help to channel private investment into productive uses rather than speculative assets; the consumption requirements of lower-income groups also tend to require fewer imports than those of the better-off. The political strains of development may be eased if individual welfare is not neglected. Even if economic growth suffers under redistributive policies, population growth may be slowed down by them, so that per capita income growth may not suffer. And so forth.

10. Unfortunately, these and other aspects of growth are extremely difficult to measure, so that even if economic objectives are clearly specified, the choice of resource allocation which will achieve them may be as much art as science. Be that as it may, most governments of developing countries have taken the view that other goals of development are at least as important as the immediate improvement of living standards. In particular, they have usually pursued particular forms of structural change in their economies: increases in the share of national product originating in manufacturing; reduction in the commodity-concentration of production and of exports; movement of the labour force out of agriculture and into industry; reduction of dependence on imports of goods or of capital.

11. "Development" means many things, but from the economic point of view, development is distinguished from growth: growth commonly refers to an increase in production of a particular pattern of output, while development, whatever else it implies,[1] incorporates the ideas both of growth in that

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1/ For many commentators "development", even in the economic sense alone, importantly contains notions of progress in individual economic welfare. There are, of course, many conceptions of development far broader than this. The term "underdevelopment" has also gone through a variety of changes: having once meant an early stage of development - that at which the developing countries started, or the developed countries before they industrialised - it began to acquire connotations of "dependence", and while the term has now dropped out of use in international agencies, it lives on mainly in radical literature, today with the meaning almost of a condition inflicted on the developing countries by the developed. (For an example, see Leys, 1975.)

sense and of structural change in the dimensions referred to and others too. The present record, therefore, begins with a summary review of growth and structural change in the economies of the developing countries. Section I.B continues with an account of changes in individual welfare as reflected in a variety of indicators.

Macro-economic growth

12. For the developing countries as a whole economic growth rates have been decidedly impressive in recent decades. From 1950-60 their real gross domestic product (GDP) grew at 4.7 per cent annually; from 1960-70, at 5.2 per cent. The 1970s began with even faster growth: 6.0 per cent a year from 1970-73; but there was a deceleration from 1973-76 when annual growth was only 4.6 per cent.1/ This gives an average rate of 5.0 per cent growth from 1950-76. Comparable rates for "Developed Market Economy Countries" and "Socialist Countries of Eastern Europe" (as defined by UNCTAD) can be seen from this table:

Annual average growth rates of total GDP
(percentages)

	1950-1960	1960-1970	1970-1973	1973-1976	1970-1976	1950-1976
Developing countries and territories	4.7	5.2	6.0	4.6	5.3	5.0
Developed market-economy countries	4.1	5.1	5.1	1.4	3.0	4.2
Socialist countries of Eastern Europe	9.6	6.7	6.6	5.7	6.3	7.7

Source: UNCTAD 1976 (a) and 1978, except for the last column which is calculated from the other figures.

1/ These figures were taken from the UNCTAD Handbook of International Trade and Development Statistics 1976 and 1978. It must be borne in mind that these figures come from individual country sources of varying quality. Also, the same figures can be combined in different ways to give very different growth rates over time. There are no "correct" figures. This document relies mainly on the UNCTAD tables because, over the range of its subject matter, the fullest documentation with the largest measure of internal statistical consistency comes from that source. It has proved unavoidable to give gross product figures sometimes in terms of GNP, sometimes GDP, as indicated. The UNCTAD GDP figures in this document are at 1970 world prices, GNP figures at 1973-75 prices and exchange rates. World Bank figures differ from those in UNCTAD documents for a variety of reasons: coverage, definitions, etc.

13. While the developing countries have had higher growth rates than the developed market economies, the absolute increases in GDP have been much smaller. "Taking the 20 years from 1952 to 1972, the total gross product of the developed market economies rose from $1,250 billion to about $3,070 billion, in terms of 1973 prices, the increment alone ($1,820 billion) being three-and-a-half times the aggregate gross product of the developing countries in 1972 ($520 billion)." 1/ Of course the rate of population growth being much higher in developing than in developed countries the growth of product per head has been slower in the developing countries. (The progress of *per capita* incomes is discussed below, para. 47 ff.)

14. Just as noteworthy is the fact that growth has been unevenly distributed among the developing countries. A large group of developing countries have not achieved rapid growth while others have, so that income differentials within the developing world have been widening. Two significant categories of fast-growers in the 1960-75 period have been the "developing petroleum exporters" and "major developing fast-growing exporters of manufactures". Annex Table I shows the petroleum exporters, some 12 countries with 16 per cent of the developing countries' population and 25 per cent of their total GNP in 1975, growing at 5.9 per cent annually 1960-70 and 7.6 per cent 1970-75. The fast-growing exporters of manufactures, seven countries with 6 per cent of developing countries' population and 15 per cent of their GNP, grew at 7.9 per cent annually 1960-70 and 6.7 per cent 1970-75. 2/ Of the rest of the developing countries, those with *per capita* incomes in excess of $250 in 1975 had 24 per cent of the developing world's population with 40 per cent of its GNP: their gross product grew by 5.0 per cent 1960-70 and 6.0 per cent 1970-75.

15. Those with *per capita* incomes below $250, clearly the "problem countries" from a growth point of view, composed over 54 per cent of the developing world's population, but had only 20 per cent of its total GNP in 1975: their gross product growth was only 3.8 per cent annually between 1960-70, and 2.4 per cent for 1970-75. (Of course even among these countries there were significant differences in performance.) The following table gives these figures in summary form:

1/ UNCTAD, 1976 (b). All UNCTAD figures quoted, and all others in this paper, exclude China unless otherwise indicated.

2/ The notes to Table I identify these groups and the criteria by which they were selected.

	Developing countries' population 1975	Developing countries' GNP 1975	Annual growth of GNP 1960-70	1970-75
	(per cent of totals)		(per cent)	
Developing Petroleum exporters	16	25	5.9	7.6
Fast-growing Exporters of manufactures	6	15	7.9	6.7
Countries with $250 + *per capita* income	24	40	5.0	6.0
Countries with $250 - *per capita* income	54	20	3.8	2.4
	100	100		

Source: UNCTAD, 1977

16. In population terms, almost three-quarters of the slowly-growing group is composed of the three large countries of the South-Asian subcontinent - Bangladesh, India and Pakistan. Of these three, only Bangladesh belongs to the group defined within the UN system as "least developed";1/ the remainder of the "least developed" constitute a further 16 per cent of the "slow-growers".

17. There are, it must be said, various anomalies in this presentation: thus the definition of fast-growing exporters of manufactures excludes a country such as Brazil, whose gross product and exports of manufactures grew at over 6 per cent during the period. Indonesia, although a "developing petroleum exporter" was a slow grower in the 1960-70 period and had *per capita* income below $250 in 1975; there were also slow growers in the $250+ *per capita* income income class, e.g. Ghana, Senegal, Uruguay. These groupings are not intended to depict the causes of growth, which are considered below, mainly in Section II; but clearly a petroleum exporter or a major exporter of manufactures was likely to grow relatively fast during this period; and it is hardly surprising that countries which have been growing faster over a long period are now better-off than those which have not. In future, of course, some of the slow-growers may accelerate their growth, while other countries which have been growing rapidly may slow down.

18. As was said above, interest lies not only in growth but in structural change. The two are clearly connected - in the early stages of development growth may be difficult to achieve without significant alteration in the composition of output. Attempts have been made to elaborate statistical

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1/ For the definition of "least developed" see notes to Table I.

analyses showing systematic change in a relatively small number of variables, in the course of the development process. One of the more recent of these[1/] has explored the regularities of growth among developing countries in terms of: investment; government revenue; education; the distribution of consumption between public and private sectors, and of production between primary products, industry, utilities and services; the structure of trade and employment; urbanisation and demographic change; and income distribution. Whether or not one accepts the model generated by this work, examination of development in terms of these dimensions is certainly revealing, a large share of the difference between countries in overall economic performance being explained by them. Since industrialisation has a key role in any such examination, that is the first topic discussed.

Growth of manufacturing

19. For most developing countries the promotion of manufacturing industry has been the central goal of economic policy. The manufacturing sector has been regarded as providing opportunities for dynamic growth not obtainable elsewhere. It was expected to generate a large reinvestible surplus; it would reduce dependence on imports; in trade it would reduce dependence on commodity exports whose growth was expected to be slow. Raising the proportions of output originating or labour employed in manufacturing became almost synonymous with development itself. These ambitions were political as well as economic, since this particular form of economic progress was regarded as necessary to change the entire spectrum of political and economic relations between industrialised and developing countries, insofar as these relations were conditioned by the relative economic weakness of the latter. On the whole, while recent decades have witnessed many successes in the industrial field on the part of several developing countries, for many the growth of manufacturing has been disappointingly slow and the problems encountered in attempts to accelerate it acutely frustrating.

20. First the overall record. Between 1955 and 1974 the manufacturing output[2/] of developing countries increased at an annual rate of 6.9 per cent, compared with 5.0 per cent in the developed market economy countries. But so small was the base from which they started that, despite the considerably faster rate of growth, the share of the developing countries in the combined manufactures of the developing and developed market-economy countries only rose from 9.1 per cent in 1955, to 12.3 per cent in 1974. If all other countries are included - and the manufactures of the centrally planned economies have been growing faster than those of the groups of countries so far mentioned - the developing countries' share of world manufacturing output has changed even less during the period, from just under to something over 7 per cent of the total.

1/ Chenery and Syrquin, 1975

2/ Value added at constant prices. The figures are derived from UN Statistical Handbook or UN Handbook of Industrial Statistics, for nine branches given by the UN, excluding ISIC 39 (miscellaneous manufactures) for which growth rates are not given.

Their very small share of world manufactures explains many of the difficulties, both domestic and international, faced by the developing world in their efforts at industrial expansion.

21. Further, there is considerable concentration of this manufacturing activity in a small number of developing countries: in 1970 six countries (India, Brazil, Argentina, Mexico, Indonesia and Chile) produced 56.5 per cent of the developing countries' manufacturing output, and a further twelve countries (Iran, Colombia, Venezuela, Pakissan, Philippines, Egypt, Puerto Rico, Peru, Republic of Korea, Thailand, Morocco, Burma) an additional 24.1 per cent: eighteen countries, in other words, produced over 80 per cent of Third World manufactures. By region, Latin America produced 52.7 per cent of Third World manufactures in 1970, Asia 40.2 per cent, and Africa 7.1 per cent. Since 1970, Asian and Latin American output of manufactures has grown faster than that of Africa.

22. These figures do not bring out the extent to which various developing countries are becoming industrialised: as is obvious this is very limited in most of Africa. In Latin America, several countries have a high proportion of their labour-force engaged in industry, though for some of them this has been true for a long time. In India, which has become one of the world's industrial giants in absolute terms of manufactured output, the proportions of the population employed outside agriculture is low and has hardly changed since 1911. Table II lists all the major countries whose labour-force proportions outside agriculture exceeded 35 per cent in 1974, together with those for India and comparative figures for earlier years. In most other countries, while these proportions have almost everywhere increased, they have done so fairly modestly.1/

23. Table III gives figures for proportions of gross product originating in industry for various regions. Whatever measures are employed, the picture for the distribution of manufacturing activity and its increases over time in the developing countries does not differ a great deal. More up-to-date and detailed figures show that certain countries (e.g. Argentina, Brazil, India, Republic of Korea, Mexico, Yugoslavia) have been making particularly rapid progress in recent years. But it remains true that the lion's share of activity occurs in the small number of countries named above.

24. The rapid growth of exports of manufactures has also been a feature of developing country experience in recent years;2/ this, too, has largely been confined to these same countries. The further growth and - even more important - wider diffusion of manufacturing activity is a crucial component of the prospects of developing countries. For this to happen, a much greater expansion in trade in manufactures is going to be required, with

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1/ The proportions outside agriculture are given, rather than the proportions in manufacturing, since for developing countries the former give a fuller impression of structural transformation. In developed countries, an average of about 30 per cent of the labour-force is engaged in manufacturing *per se*, but growth in other sectors (especially services) is a feature of post-industrial development.

2/ This is examined in detail in Section II.

consequent necessary adjustments to permit access to the markets of both developed and developing country importers.[1/] The UNIDO Lima Conference established as a target the increase of the developing countries' share of world manufacturing from the current 7 per cent to 25 per cent by the year 2000. It is not without interest that the RIO Report [2/] regards some such achievement as a necessary condition for the 5 per cent growth in *per capita* incomes which its scenarios for the future explore.

25. When the statistical record is discussed in this fashion, a feeling may well remain that it fails to bring out the true significance of changes that are taking place. The pace of manufacturing growth has been quite remarkable in several of the countries named, and has accelerated in the 1970s. In a number of fields, even some of quite advanced technology, several developing countries are becoming competitors of the older industrial nations. In several products, even if mainly for their own markets, they produce large shares of world output. Even in many smaller countries where manufacturing is not yet a major share of production or employment significant modernisation has been achieved. There are now several major nerve centres of world industrial production, and the "periphery" is in this as in other respects beginning to be decidedly less peripheral.

Food and agriculture

26. This paper will not attempt a survey of agricultural development. But some account of the agricultural sector, however brief, must be given in any description of the record of development. This is where the majority of people in the Third World live and work, and the source of a major share of their output, employment and incomes. The industrialisation of the developed countries was almost universally preceded or accompanied by an "agricultural revolution", that is, by major increases in agricultural productivity. This permitted the release of labour into industry and also generated a surplus for industrial investment. In today's developing countries much of the rural labour supply to industry derives from population growth; and while an investible surplus has often been extracted from agriculture, this has not universally been derived from productivity increases.

27. Many developing countries in their drive for industrial advance were at first slow to recognise the complementary functions of the rural sector and give them appropriate priority. As a result, the 1960s and even the 70s have sometimes offered the sad spectacle of governments spending in a

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1/ Trade is particularly important for some of the smaller countries, where domestic markets do not form an adequate base for development of industries of efficient scale.

2/ Tinbergen, 1976.

drought-prone area more on relief programmes in one year than on irrigation in the previous five, or being forced to import large quantities of food with scarce foreign exchange while 60 per cent or more of the population was engaged in food production.

28. Agricultural progress is difficult. Not only are soil and weather conditions often intractable; very often social organisation and the distribution of landholdings prevent desirable change. As Albert Hirschman observed several years ago, discussing the drought problem in North-East Brazil, it is easier to construct reservoirs than get the water to the farmers' fields.1/ Further, it must be remembered that attitudes to agriculture in the 1950s and 60s were only formed in part by the enthusiasm for industrialisation; they were also conditioned by a considerable pessimism about agricultural technology and the adaptability and willingness to innovate of the cultivator. Some authorities have claimed that until the Green Revolution seed varieties appeared there were few agricultural innovations sufficiently profitable to tempt farmers to take the risk of adopting them, 2/ though that is far from being a universally accepted view.3/

29. The main features of agricultural development which should figure in an account of "structural change" would be progress in the productivity of agricultural labour and land, and the extent of protection of crops - where possible - against fluctuations in output due to natural causes. While these have been studied for individual countries, none of the readily available international comparisons of performance give their accounts in these terms. One is left for present purposes with the record of performance in the growth of agricultural output and food.

30. The early 1970s were fairly alarming for world agriculture and for the developing countries' part in it. Growth rates were low, and in one or two years poor harvests of food crops in several developing countries - mainly due to rainfall failures - coincided with a rundown of stocks in North America at the same time as the Soviet Union and other centrally-planned economy countries entered the international market in a big way, with consequent major increases in the prices of traded foodstuffs. (It should be borne in mind that in a normal year only 6-7 per cent of the world's food-grains are traded internationally; the vast bulk of the main staple foods are produced and consumed in the country of origin.)

31. During 1970-75 the average annual growth in agricultural production of developing countries was 2 per cent - lower than their overall growth rate of population. In fact, *per capita* agricultural output declined

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1/ Hirschman, 1965.

2/ E.g. Mellor *et al.*, 1968

3/ See, e.g., one of the most articulate exponents of the thesis of rural neglect - Lipton, 1976.

by 0.3 per cent annually between 1970-75 for the developing countries as a whole and for most major groups of countries. This compares with an increase of 0.5 per cent per year from 1961-70.1/ In fact 1971-74 were poor agricultural years for most developing countries. But 1975 and 1976 have been considerably better.

32. Agricultural self-sufficiency is not necessarily a good thing in itself. Countries with good trading prospects may be well advised to import food and export their products of comparative advantage. Nevertheless, when a country has a very large share of its labour-force engaged in agriculture, when food availability is poor relative to requirements, and when foreign exchange is scarce, any falling behind in food output relative to population growth may be a cause for concern.

33. Table IV gives figures for growth rates of agricultural production by country. (Agriculture and food are not the same thing, but they tend to be strongly correlated in most developing countries.) As can be seen, several countries with large agricultural sectors have fallen behind relative to population growth both in 1961-70 and 1970-75: fourteen African countries in particular, several of which can ill afford growing food imports.

34. The figures in this Table for the large countries of the Asian sub-continent are slightly misleading: the only country which is listed with agricultural growth slower than that of population for both 1961-70 and 1970-75 is India. But the 2.0 per cent average for 1961-70 includes the two terrible drought years of 1965 and 1966; in fact, the average growth from 1949-50 to 1974-75 in India was 2.6 per cent annually, against an average rate of population growth only a little over 2.0 per cent. Bangladesh and Pakistan had a better record in the 1960s but in recent years have experienced considerable difficulties. Currently both Bangladesh and India have favourable food situations.

35. Assessments of the prospects for food and agriculture in the sub-continent seem to take their tone from the ups and downs of current production. The balance of opinion suggests that food production can keep up with population growth, though at very considerable resource cost which will retard progress in other sectors for some time to come. In Africa, irrigation and soil-conservation in several countries have in the past received inadequate attention, with a large backlog of unmet requirements. In both Asia and Africa the weather remains a potent determinant of crop performance, and there are limits to what can be done to counteract its effects. In several countries much has been done. But increasing deforestation, drought-proneness and "desertification" are among a variety of factors behind pessimistic warnings for the rural prospects of several countries, most notably, but not only, those of the Sahel region. It is as well that both the governments of these countries and the international community have begun in recent years to show much greater awareness of the problems and willingness to take remedial measures.

1/ UNCTAD 1977

Employment

36. There is a large variety of estimates of developing country employment. There is also a growing body of agreement that the concept of unemployment as it is understood in developed market economies is not wholly appropriate. How to approach the problem more usefully is now also widely appreciated, but the price of understanding is the near-impossibility of measurement.

37. For a long time observers were puzzled by low reported rates of open unemployment in some countries, which did not accord with the most casual observation. Then it became clear that if the unemployed were measured as those available for work during a whole year and without work for the year - the kind of definition often employed in population censuses - such people would indeed turn out to be a small proportion of the labour force 1/ - not unusually of the order of one or two per cent. The reference period might be less than a year, but still the "openly unemployed", when counted, seemed to be unrealistically few. In fact, to assess unemployment, estimates are needed not only of open unemployment but also of underemployment and low-productivity employment.

38. The underemployed are those who work for less time than that for which they are available and willing to work; the "low-productivity employed" are those whose functions contribute marginally to total output and whose pay is meagre - both concepts reflect under-utilised labour. In conditions of great excess supply of labour, there are also many whose work is productive but whose pay is low. "The crux of the employment problem in the developing world thus lies in the high proportion of the labour-force earning inadequate incomes." 2/

39. The result of this is that measurements of the extent of unemployment or underemployment bear a close relation to estimates of those living in poverty. The ILO estimated that in 1975 the openly unemployed constituted about 33 millions, or 4.7 per cent of the labour-force of the labour-force of the developing market economies of about 700 millions; the underemployed numbered a further 250 millions, or nearly 36 per cent of the labour-force.

40. However, the ILO also confessed that the estimates of underemployment were extremely elastic since they derived from country data which did not always employ the same criteria - and for the countries where data were not available, proportions were applied derived from countries where they were. Further, "underemployment" was measured in relation to a notional working week and a notional level of "adequate" pay which were themselves somewhat arbitrary. Even then, the total of 283 millions arrived at - adding two

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1/ The notion of the "labour-force" is itself a source of difficulty, since the numbers of those of working age who consider themselves available for or seeking work may vary widely throughout the year.

2/ ILO 1976.

dependents per labour-force member - was "consistent with estimates of acute poverty" but "understates the magnitude of the total poverty problem".1/

41. A table setting out these ILO estimates is given below. Even though the figures have wide margins of error - especially those for underemployment - they do give an indication of the geographical distribution of the employment problem and its rural/urban breakdown. In terms of sheer numbers the main location of the unemployed and underemployed is in Asia (and most of them in South Asia), while in terms of labour-force proportions the problem in Africa (especially for open unemployment) may be more acute. In Latin America the urban unemployed dominate the totals, reflecting the tremendous influx into the cities of rural labour seeking work.

ILO Preliminary Estimates of Unemployment and Underemployment by region, 1975 (in millions)

Region	Open Unemployment 1/		Underemployment 2/		Labour Force
	Total	of which Urban	Total	of which Urban	
Asia 3/	18	6	168	20	461
Africa	10	3	53	7	141
Latin America	5	5	28	14	98
Oceania	-	-	1	-	2

Source: ILO 1976

1/ Defined as "persons without a job and looking for work".

2/ Defined as "persons who are in employment of less than normal duration and who are seeking or would accept additional work" and "persons with a job yielding inadequate income".

3/ Excluding China and other Asian centrally planned economies

42. To decide whether these estimates of the employment problem are sensible is extremely difficult, and can easily descend into sterile semantics. It is clear that poverty is extensive and that work for many people who want

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1/ The ILO, using data from Chenery et al. 1974, estimated the "seriously poor" (less than \$180 in Latin America, \$115 in Africa and \$100 in Asia) at 1210 millions in 1972, of whom 706 millions were "destitute" (less than \$90 in Latin America, \$59 in Africa, \$50 in Asia). These matters are discussed further below.

it is not available or badly paid; but in the present state of the art the range of possible estimates of unemployment and underemployment at which distinguished scholars can arrive is too broad for any but the crudest indicative purposes.

43. Since India in most estimates contains a large share of the employment problem, one might note that A.K. Sen showed a set of assumptions under which surplus labour in 1971 could be assessed at 23.7 per cent of the labour-force, while other equally tenable assumptions would make it a fraction of that figure.[1/] Perhaps the most rigorous and practical analysis of rural unemployment, that of Raj Krishna, converted sample survey estimates of unemployed man-days reported into an equivalent of unemployed man-years - this came out at just under 7 per cent of the rural labour-force in 1972/73.[2/] (And even his work is open to question, since he did not enquire at all closely into the meaning of the wage-level at which those who described themselves as "available" were willing to work.)

44. Thus, reliable assessments of the level of unemployment are rarely available - if indeed they are possible. It is even more rare to have any indication of the trend in employment. Nevertheless, a variety of studies suggest that the employment situation in developing countries is not improving, to say the least. Apart from anything else, demographic expansion is producing tremendous increases in labour-force. The average annual rate of population growth in developing market economies was 2.0 per cent between 1960-70, producing a 22 per cent increase in population in a decade, with comparable labour-force growth. In many African countries, population growth exceeds 3.0 per cent, a rate at which population expands by 34 per cent in a decade. Because of age-structure changes, labour-force growth will accelerate even after population growth rates begin to decline: the UN "medium" population projection (incorporating substantial fertility decline) suggests a 75 per cent increase in labour-force between 1975-2000 for developing countries as a whole. And commonly it is in the countries which find it most difficult to create new jobs that labour-force growth is most rapid.

45. It would be false to suggest that high rates of population growth are responsible for the employment problem, although they may make it more difficult, particularly in densely populated countries. The generation of employment is affected by a large range of policies and conditions - all those that influence agricultural productivity, manufacturing and services development, technology, the output mix, relative prices, labour conditions and organisation, to name but a few. The international context of development - international labour movements, export markets, the behaviour of transnational corporations - also have a powerful influence. Some countries have been notably more

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1/ Sen, 1975

2/ Raj Krishna, 1976. This does not mean that 7 per cent of the rural labour-force were wholly unemployed, but that the total amount of reported unemployment and underemployment was equivalent to 7 per cent open unemployment.

successful than others in generating additional employment, particularly those, such as China, whose institutions permit the organisation of intensive labour use at low levels of capital-per-worker.

46. There are no simplistic solutions to the employment problem. (Not that some have failed to be proposed - "appropriate technology", "getting the prices of labour and capital right".) It is clear that for a large number of developing countries, especially the poorer among them, past patterns of development have not generated sufficient employment; even in some countries where economic growth has been quite rapid, and substantially faster than the growth in population or labour-force, employment levels have often not risen _pari passu_. But it is the whole pattern of development, including importantly the international dimension, that matters.1/

I.B. Individual welfare

Per capita income

47. The discussion inevitably starts from the level of gross national product (GNP) per head. Much has been written on the poor quality of GNP figures for many countries, and on the dangers of international comparisons

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1/ It may be added that attitudes towards the employment question have changed a great deal among development experts. When the first ILO "Employment Mission" produced its report, the view it expressed, that employment should be a major goal of policy, if necessary at the expense of economic growth, was considered quite heretical. (ILO, 1970.) Now what was once heretical is hardly even challenging. Today there is more interest in the - unanswered - question of whether strategies aimed at maximising employment in the short run do or do not harm economic growth, or the prospects for more rapid employment creation in the longer run.

of such figures converted by exchange rates to a single currency. 1/ But while these figures can, and will here be supplemented by other information, and while their significance is open to criticism, they have been the foundation of assessment for so long that despite their faults they cannot be dispensed with.

48. The first column of Table V shows the 1975 per capita GNP figures for selected developing countries. As is apparent, the range is very considerable, with 19 countries exceeding $1000 per head, and 35 having less than $250 - and 23 countries having $150 or less. 2/ It should be noted that the list in Table V omits some very small countries or territories, but includes 99 per cent of the population of all developing countries or territories, other than China.

1/ A US dollar in the United States purchases less than its exchange-rate equivalent in the local currency of a poor developing country. One could not live for many weeks in the US on the dollar-equivalent of incomes which sustain life - however inadequately - for a whole year in many parts of the world. In fact, converted on a purchasing-power-parity basis, India's per capita income, worth $144 according to official exchange rates, would be worth something closer to $450. (Kravis et al., 1977.) Exchange-rate figures thus exaggerate the gap between high and low income countries. This does not mean that poor countries are not poor and rich countries are not rich, but rather that in comparisons of such disparate economies the room for statistical manoeuvre is large. There are other reasons for treating these figures with caution - not least, as is referred to in the text below, because they are averages ignoring the distribution of incomes. Nevertheless, most experts consider that the growth rates of these per capita income figures do have some significance.

Some figures on income differentials at purchasing-power-parity values are given in Tinbergen (1976) p. 87. The richest 10 per cent of the world's population (i.e. in the industrialised countries) have on this basis an average income equal to 13 times that of the poorest 10 per cent (i.e. people in the low-income developing countries).

2/ This list of 35 countries is not the same as the UN list of 29 countries referred to as "least developed". These countries are defined by joint criteria of per capita income ($100 or less in 1968), literacy (20 per cent or less for persons over 15 years of age), and share of manufactures in total output (10 per cent or less in 1968). They are: Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burundi, Central African Empire, Chad, Democratic Yemen, Ethiopia, Gambia, Guinea, Haiti, Lao PDR, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Samoa, Sikkim, Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta, Yemen. These countries comprise 245 million people, or 13 per cent of the developing countries' total population.

49. While these figures give some indication of the international spread of developing country incomes, the distribution of income within countries should be referred to at the outset. The table below shows the shares of total income received by quintiles of the population of a "typical" developing country.1/ The bottom lines show what the average income per person would be in each quintile if the *per capita* income for the country as a whole were $250 or $150. If the distribution figures were indeed representative, the implication would be that in countries of $250 *per capita* income, 40 per cent of the population would have incomes less than $100; in countries where the average is $150, 60 per cent would have less than $100.

Quintiles	1	2	3	4	5	Total
(1) Share in total income	53%	22%	13%	7%	5%	100%
(2) Share in population	20%	20%	20%	20%	20%	100%
(3) *Per capita* income	$662.5	$275.0	$162.5	$87.5	$62.5	$250
(4) in quintile	$397.5	$165.0	$97.5	$52.5	$37.5	$150

50. By combining data for *per capita* incomes and estimates of income distribution, some figures indicating the distribution of "absolute poverty" in the major regions of the developing world can be derived. The following gives some estimates made by ILO for 1972:

Estimated numbers of people in developing market economies living in poverty, 1972

Region	Total population	Seriously poor	Destitute	Seriously poor	Destitute
		(millions of people)		(percentage of population	
Asia	1,196	853	499	71	42
Africa	345	239	134	69	39
Latin America	274	118	73	43	27
Total 1/	1,815	1,210	706	67	39

Source: ILO 1976. For definitions see footnote 1 para. 40.

1/ Excluding developing countries in Europe and Oceania, with a total population of about 25 million.

1/ Line (1) of the Table is from Chenery *et al*., 1974; it is an average from distribution figures for some 64 developing countries for which data (often rather poor data) were available. These figures should be regarded as a very crude approximation. Lines (3) and (4) are calculated from line (1) and the assumed figure for average income per capita.

51. For comparison, the developed market economy countries on average had per capita incomes of $3633 in 1975, and the socialist countries of Eastern Europe (as defined by UNCTAD) $899. 1/ The distribution of income in the developed market economies is more even than that in the developing countries, with the bottom two quintiles mostly receiving some 15-20 per cent of total income; that in the Eastern European countries is more even still, where the share of the lowest two quintiles may average closer to 24 per cent.2/

Growth of per capita incomes

52. For the developing countries as a whole, the average annual rate of growth of per capita real GDP was about 2.6 per cent between 1950-76. The annual rates of growth have accelerated over the decades, being 2.4 per cent for 1950-60, 2.6 per cent for 1960-70, and 2.8 per cent for 1970-76.3/ But much of this acceleration of growth in the 1970s is due to the performance of the oil-exporting countries, and in the 1960s and 70s, of the fast-growing exporters of manufactures. A regional breakdown is more revealing (though the rapid growth of South-East Asia is concealed in this table, since it is swamped by South Asia).

Developing countries	Annual average growth rates of per capita GDP (per cent)		
	1950-60	1960-70	1970-76
Latin America	2.3	2.6	2.8
Africa	2.0	2.5	1.4
West Asia	4.1	4.4	4.7
South and South-East Asia	2.0	2.2	2.4

Source: UNCTAD Handbook of International Trade and Development Statistics, New York 1978

1/ Figures from UNCTAD, 1977

2/ These figures are also taken from Chenery et al. 1974, which gives date on 13 developed market economies and 5 Eastern European socialist countries. (In two of the former countries the share of the lowest quintiles was less than 12 per cent.) Because of the differences in national accounting procedures, there are of course problems in comparisons between market economies and centrally planned economies.

3/ These are latest available figures from UNCTAD 1978. The short period growth rates may differ considerably if different terminal years are chosen, e.g. 1970-76 compared with 1971-75.

53. For more detailed figures, and to illustrate the points about growth-rate measurement made at various places in this paper, the following World Bank table is also given:

Countries	Annual average growth rates of *per capita* GNP (per cent)			
	1951-60	1961-70	1971-75	1951-75
South Asia	2.7	1.5	0.5	1.8
East Asia 1/	3.3	4.0	4.8	3.9
Sub-Saharan Africa	2.4	1.6	2.1	2.0
Middle East	5.0	4.4	6.4	5.0
Latin America	2.1	2.5	3.7	2.6
All Developing Countries	2.8	3.2	3.0	3.1
OECD Countries 2/	3.0	3.7	1.9	3.2

Source: IBRD World Tables
1/ Includes China
2/ Excluding Greece, Iceland, Portugal, Spain and Turkey

54. Considered individually, 29 countries exceeded the UN International Development Strategy target of 3.5 per cent annual growth of *per capita* real product in the 1960s, and 30 countries in 1970-75. These latter countries together comprise 25 per cent of the population of all developing countries. At the other end of the spectrum, 29 countries comprising 42 per cent of the developing countries' population experienced declining *per capita* incomes in 1970-75. (Table VI sets out this record in greater detail, summarising the figures for individual countries in Table V.)

55. It is difficult to judge this record of growth rates. Considering the generally high rates of population growth, the figures do not on the whole compare unfavourably with the experience of the industrialised countries during the nineteenth century - whose economies and populations did not grow at such rates, as the work of Kuznets and others has shown. But this performance must also be judged against the ambitions and expectations of the developing countries' peoples and governments, for many of whom progress must appear painfully slow.

Trends in income distribution

56. It is apparent from the discussion above that, if the figures for income distribution have some rough general validity (and of course there are large variations among countries) and are not subject to change over

time, then, given that 75 per cent of income is in the hands of the upper 40 per cent of the distribution, the record of growth is largely a record of what has happened to these better-off 40 per cent.[1/] Much interest has therefore attached to the trends in developing country income-distribution, which has become a matter of great debate in recent development studies.

57. Three separate questions should be kept clear: what has been happening to the proportionate income distribution; whether the proportion of the population below an identified "poverty line" has been growing or shrinking; and whether some section of the population - particularly the poorest deciles - has been getting absolutely richer or poorer. It has been claimed by some that deterioration has occurred in many developing countries in one or another (or all) of these respects. The current state of research is somewhat cloudy, not least because of the paucity of reliable information, especially for comparisons over time. But it may tentatively be summarised by saying that while there do appear to be cases where the proportionate distribution of income has become more unequal during the 1960s, there is not much evidence of deterioration in the other two respects.

58. The two causes célèbres in this debate have been Brazil and India. The most recent summaries of research for these two countries suggest that in Brazil there was indeed increasing inequality in the proportionate distribution of income in the 1960s. But -

> "the widely held notion that 'the rich got rich at the expense of the poor' receives no support in the data. To the contrary, the poor in Brazil clearly did share in a decade of economic development. Some poor were lifted out of poverty. For those left behind, their incomes grew at least as rapidly as those of the non-poor. At the same time, the very rich also get richer than before, in both absolute and relative terms. Relative inequality did become greater by most measures... changes in the structure of production and employment in the Brazilian economy shifted over the decade in favour of the relatively advanced and high-paying sectors: urban areas, the industrial sector, and relatively high-level occupations. These factors presumably account for a considerable part of the observed income distribution changes." (Fields, 1977.)

59. For India, the evidence suggests a modest - if any - improvement of the relative income distribution, possibly due to shifts within the upper four quintiles. The earlier suggestions that the proportion below the poverty

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1/ It must be reiterated that these statements are crude generalities. Among other things, over long periods the quintiles in question are not the same people, so that many individuals experience improvements hidden by these figures, and others, of course, reverses of fortune.

line has increased during the 1960s now seem to depend on the two end-years chosen for purposes of comparison; statistical examination of all available observations shows no upward or downward trend in these proportions. (Ahluwalia, 1976). Moreover, such improvement for low income groups as has occurred in parts of the country is positively associated with economic growth. Wage, employment and price data for some extremely poor people may, however, indicate an absolute deterioration of incomes in some parts of India for some occupational groups, but this is not the general condition.

60. These reflections should not induce optimism, even if they temper some of the extreme pessimism that has been expressed about the effects of economic growth. It does appear that growth in general may benefit the poor; but it does so extremely slowly. Thus in Brazil, given the present pattern of inequality, "with a continuing growth rate of 5 per cent per annum, 20 to 30 years would be needed to raise the poorest decile up to $100 *per capita* income" (Fields, 1977) - and this in a country where average *per capita* income was $931 in 1975 (Table V). And for India today, nearly half the population falls below a severely parsimonious poverty-line after thirty years of post-Independence development.

61. There are not many countries which have been studied as intensively as these two; nevertheless some others present comparable experience. There are, too, non-socialist countries where less inequality prevails and where the lowest income groups have been enjoying growing or at least constant shares of total income. These include some poor countries where special policies have been adopted in favour of the poor (Sri Lanka, Tanzania[1/]), and some of the better-off and rapidly growing countries (Iran, South Korea, Singaport, Taiwan[2/]). But poverty in developing countries has remained intractably present on a very large scale, justifying concerns that growth by itself, while necessary, is not enough to eliminate it.

Non-income criteria

62. If little has been happening to the incomes of the lower deciles in developing countries, one should not assume that this implies no change in their lot. Even in many backward regions although people may be very poor their lives have improved in certain ways. More of them are going to school, and living longer; they have better access to health services and water supplies; their villages are nearer to metalled roads and they listen

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1/ Concern has been expressed in some quarters that the pattern of development in Sri Lanka is not sustainable, with insufficient progress in production to maintain welfare measures; this may conceivably apply in Tanzania also.

2/ The data for South Korea may be somewhat suspect. Costa Rica, Colombia and Puerto Rico can tentatively be added to this group.

to transistor radios. But in most of these matters, as with income, progress has been slow; and in some respects it is hard to tell whether visible change has brought improvement - especially for those who move from the countryside to the spreading slums of developing country cities; in others still - particularly nutrition and employment - it is not easy to tell what the trend is.

(i) Mortality

63. To begin with demographic indicators, it is clear that the last 25 years have brought very considerable improvements on a national basis, especially in mortality. For the low income developing countries, at least, this should not be taken as a contradiction of the discussion above on income levels. It has sometimes been suggested that the pace of mortality decline casts doubt on other indications of well-being. But it should be borne in mind that mortality decline in many of the developing countries has been due in large part to modern medical technology and the control of communicable disease, which have often been introduced almost independently of other changes.

64. In many countries the process began in the late 1940s; death rates in several countries fell by 25 per cent between 1945-50. The decade of the 1950s continued this rapid progress; on the whole the censuses of 1960-61 surprised observers by the extent of population growth due to declining mortality. However, the 1970-71 round of censuses produced many population totals with lower growth than had been expected, owing to the failure of mortality to continue to decline as anticipated. In many countries mortality is already quite low and cannot be expected to fall rapidly; in others, while death rates are still relatively high, achieving the conditions for further mortality reduction (better nutrition, health services, hygiene and sanitation) is proving much more difficult than the control of cholera or smallpox. Malaria, whose control was possibly the main single cause of mortality reduction in many parts of the world, is now returning in several countries.

65. There are major differences in mortality conditions among developing countries. In most of sub-Saharan Africa expectation of life at birth is still in the region of 45 years or less, while in North Africa it ranges from 50-55 years. The South Asian countries range from 40 to 50 years, except for Sri Lanka where it is close to 70 years. In East and South-East Asia four countries (Burma, Indonesia, Khmer Republic and Laos) have life expectancy in the same range; the rest range from 60 to over 70 years. In the Caribbean and Central and South America, some seven (mainly small) countries have life expectancy below 60 years, but the remainder are in the 60s or 70s. For some of those, of course, low mortality is not a recent phenomenon; in some Latin American countries expectation of life at birth was in the 60s already thirty or more years ago.1/

1/ Figures in this paragraph and the next were derived by the World Bank from UN and other sources.

66. Where information is available - which it rarely is - the distribution of mortality within countries is as uneven as that of incomes, and large sections of poor-country populations are subject to much higher mortality than the above figures indicate. Infant mortality may be as high as 250 per thousand live births for the poorest 20 per cent in a population where the average infant mortality is 120. In a few small African countries, average infant mortality is still as high as 250.

67. But even without knowledge of patterns of distribution, it can be seen that the majority of people in the developing world had a life expectancy of less than 50 years in the early 1970s: the five most populous countries of Africa and Asia together comprise about half the population of the Third World excluding China, and all had average life expectancy below 50 years.1/ As is well known, this is one of the points of most unfavourable contrast with the developed countries, where the average expectation of life at birth is almost universally in excess of 70 years.

(ii) Nutrition

68. It is almost impossible to say what has been the result of recent decades of development in terms of the nutritional status of developing country populations. Essentially malnutrition can be measures in three separate ways: by food intake, by anthropometric measurement, and by the presence of clinical signs of malnutrition. In the case of the first two measures, actual observations have to be compared with a standard, which itself contains inevitably non-objective elements. There are few if any developing countries for which the prevalence of malnutrition has ever been satisfactorily assessed, and information on changes over time is not available.2/ Nevertheless there are a variety of indications that the nutritional problem is intense in many countries.

1/ These countries (together with figures for 1975 population and female expectation of life at birth 1970-75) are: Nigeria (63 million; 42.6),India (598 million; 48.8), Indonesia (130 million; 48.7), Bangladesh (79 million; 44.5), Pakistan (70 million; 49.6). As a contrast, the two other developing countries with populations greater than 50 million are Brazil (107 million; 64.4) and Mexico (60 million; 65.2)- The - uncertain - figures for China are 897 million; 63.3.

2/ Many statements to the effect that "x per cent of the population of country y suffer from malnutrition" depend on the numbers estimated to have less than some average recommended dietary intake. But individual requirements vary widely according to age, sex, weight and activity; unless the distribution of individual intakes can be matched against the distribution of individual requirements - which is rarely achieved - the estimates are of uncertain value.

69. One source for inferring the presence of malnutrition is a high death rate among infants and young children. In countries where average death rates are still high, or life expectancy is below, say, 50 years, commonly as many as 50 or 60 per cent of all deaths occur in the age group 0-5. A variety of medical investigations suggest that this is almost always due in part to malnutrition. Indeed, the difficulty of coping in circumstances of poverty with the so-called "synergism of malnutrition and infection" 1/ is one of the reasons for the slowing down of mortality decline noted above.

70. Secondly, where careful surveys have been made - usually only possible for small communities - malnutrition is often found to be extensive: in poor areas, findings of 40 per cent of pre-school children presenting clinical signs of malnutrition are not uncommon. Thirdly, household budget surveys often show that poor families are unable to buy sufficient food; depending on the standards employed, such surveys in poor countries have found this to be the case for as many as 25 per cent of households. 2/

71. Fourthly, in some countries there is evidence of average availability of food declining from already low levels; while this is logically compatible with an improving nutritional situation if other factors were compensating for it, in at least some of these countries there is no sign of compensating factors. Even where average availability of food is increasing, nutritional deficiencies may become worse if the incomes of the poor grow slowly, while those of the better-off grow rapidly and food prices rise.

72. For all these reasons, global estimates of the extent of malnutrition should be treated as extremely crude approximations with margins of error possibly as great as 50 per cent. Thus "between 1961-65 and 1974, *per capita* calorie availability seems to have increased in forty-seven of fifty-seven FAO countries", 3/ but in 17 of those, the increase was only 5 per cent. These averages showed gains for most of Latin America, North Africa and the Middle East; approximate constancy for Asia (excluding China); and deterioration

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1/ Scrimshaw (1970) is the name first associated with this finding.

2/ This does not imply that, where such is the finding, 25 per cent of the population is malnourished; there may be individuals with a deficit household who get enough to eat, and individuals in households which can afford more than the average requirement who do not. Malnutrition is due mainly to inadequate income, but also to lack of nutritional knowledge, non-availability of foods containing needed nutrients, and to gastric and other infections which deplete the body of ingested food.

3/ Morawetz, 1977

in sub-Saharan Africa. What this means for the numbers of the malnourished is unknown.

73. The FAO itself estimated that 460 million people had inadequate food intake in 1970. 1/ Another study using slightly more sophisticated, but still inadequate, methods put the number at 0.9-1.1 billion in 1965 and 1.1-1.4 billion by 1975 2/ - but their intake-standard was higher than that in the FAO study; with a less generous "recommended intake", their estimate is reduced by 20-25 per cent depending on other assumptions. Such, regrettably, is the nature of these estimates.

74. It is fair to conclude that there is still a great deal of malnutrition in the world. There is greater protection from famines in most parts of the world owing to the development of transport and communications in the last thirty years, and agricultural investment which has made tropical agriculture at least in some countries less vulnerable to extreme fluctuations caused by the weather. There are probably absolutely more malnourished people than there were ten years ago, but possibly not proportionally more.

(iii) Health services

75. For a long time the standard indicators of progress in health services have been the number of doctors and hospital beds per 1,000 members of the population. Most developing countries have increased the doctor/population ratio since 1960, though in Africa the increases have been modest (in some African countries it has even declined). The hospital-bed/population ratio has also increased in most countries, though not by much and again in some countries - including some in the Western hemisphere - the ratio has declined.

76. However, there is considerable doubt as to whether increases in these ratios, in the absence of other indications represent progress. As already noted, improvements in life-expectancy (the best general measure of health status) slowed down in the vast majority of developing countries in the late 1960s, and in many have been negligible in the 1970s. One factor in this history has been the unsuitability for predominantly rural populations of a pattern of health services based on (and frequently inherited from) the medical needs and professional medical training and orientation of the developed countries.

77. Recent studies have shown that in many (especially of the poorer) developing countries two-thirds of doctors and hospital-beds serve only the 25 per cent of the population who live in urban areas. As much as one-third or in extreme cases nearly two-thirds of a country's medical budget may be

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1/ FAO, 1975.

2/ Reutlinger and Selowsky, 1976.

devoted to a single major hospital in the capital city. An urban hospital may cost the equivalent of about twenty rural health centres, and a fully qualified doctor fifteen or more times as much to train as a medical auxiliary. Where urban hospitals are the apex of a national referral system, and doctors are supervising low-cost rural health schemes based on auxiliary health workers, increases in their numbers constitute progress. But where they reinforce an existing imbalance in the distribution of facilities, increases may represent an actual misallocation of resources.

78. Several developing countries, encouraged either by the example of China's "barefoot doctors" or by the new strategy in health services currently fostered by the World Health Organization,[1/] are pressing ahead with new schemes to bring appropriate health personnel and technology to a larger share of the population, especially in rural areas where mortality is commonly still significantly above that of the cities. It is to be hoped that future assessments of "progress in health services" will be able to refer to figures indicating proportions of the population who have access to appropriate and affordable services - at the moment such figures do not exist, but all the evidence suggests there is a very long way to go.

(iv) Education

79. Education has on the whole seen greater and more consistent progress than other social sectors in the developing countries. Expenditure and physical facilities have been expanded almost everywhere significantly faster than the growth of population, with very considerable gains in enrolment rates at all levels of education. Table VII and the accompanying chart give a clear picture of the progress achieved in primary and secondary enrolments, with only a very few developing countries below the diagonal line on the chart, i.e. showing a deterioration between 1960 and 1970.[2/] This progress has continued in the early 1970s, with high rates of growth of primary enrolment: over 10 per cent a year between 1970-73 in a fifth of African and a third of Asian countries.[3/] Secondary enrolment has grown even more rapidly, but from very much lower levels.

80. Literacy rates have increased rather more slowly: "The proportion of adults in the developing countries who are literate, which stood at about one-third in 1950, had risen to over one-half by 1975. On a regional

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1/ See e.g. WHO, 1975 (a) and (b), and many recent speeches by the Director-General.

2/ In some countries where enrolment rates are very high, proportions enrolled in the age-group may fall for purely demographic reasons, and not indicate worsening performance.

3/ UN, 1977

basis Latin American literacy rates rose from 65 per cent in 1960 to 75 per cent ten years later; Asian rates, from 45 to 53 per cent; and African rates, from 20 to 26 per cent." 1/

81. Despite all these indications of progress, it is well known that all is far from well with the educational development of the Third World. The relatively slow increases in literacy in part reflect the fact that enrolment proportions are not the same as proportions educated at a given level: there are often very high drop-out rates at the primary level, especially in the poorer developing countries, with many even of those who go to school leaving without achieving functional literacy. Pupil/teacher ratios in primary education rose between 1960-1970 for 21 out of 52 developing countries for which information is available. 2/ In many other ways it is clear that raising the proportion of children in school in growing populations has been achieved in part at the expense of educational quality.

82. Secondary enrolment rates remain at low levels in most countries, despite their fast growth. 3/ Higher education has in some cases expanded excessively fast (excessively from the point of view of the ability of their economies to employ graduates) and taken a disproportionate share of educational expenditures. Only modest success has been achieved in bringing more females into the education system. 4/ Almost everywhere the question of relevance has been asked - are schools and universities teaching the right subjects to the right people? The associated issue of "educated unemployment" is a problem in almost every developing country.

1/ Morawetz 1977, citing World Bank/UNESCO statistics.

2/ UNRISD, 1976, Table 21

3/ Only in two-fifths of Western hemisphere countries was secondary enrolment above 40 per cent of the relevant age group, and in a quarter of them it was below 20 per cent. In Asia it was above 40 per cent in a third of countries, below 20 per cent in another third. Only in two or three African countries did secondary enrolment exceed 40 per cent of the age group; it was less than 20 per cent in four-fifths of African countries. (Data for early 1970s: UN, 1977.)

4/ Females were less than 40 per cent of primary school enrollees in 27 out of 34 African countries in 1970; and in 9 out of 37 other developing countries for which information is given in UNRISD, 1976. Only in 17 was the proportion 48 per cent or higher.

83. Education is regarded by many as a right and by most as a fundamental need. It must prepare the young for citizenship, teach them basic skills, equip them for productive employment. Education is also an experience valued for its own sake, independently of its productive value. It is politically a highly charged subject. Perhaps the different hopes that are placed in it are more numerous than can be fulfilled for all those who try to influence it or benefit from it. Evidently with resource shortages and continual rapid expansion of numbers, discontent with developing country educational progress is not likely to disappear at all soon.

(v) Housing, urban life and other amenities

84. Very little information is available on changes in housing availability. In a few Latin American countries the number of persons per room fell by a decimal point or two between 1960-70, though in one or two (Nicaragua, Peru) it rose. In India it increased. Data-collecting agencies have not assembled whatever evidence there may be for Africa or most other developing countries. This is an area in which, in any case, definition and measurement are notoriously difficult. But on the whole developing country governments have felt compelled to give relatively low priority to housing among the social sectors, usually leaving it to the individual to fend for himself. The results may not be known statistically, but they are familiar to those who travel in the developing countries. A single sentence from a recent study gives some indication: "One-third to two-thirds of all families in Ahmedabad, Bogotá, Hong Kong, Madras, Mexico City and Nairobi cannot afford the cheapest new housing currently being built." 1/

85. From such findings has come the call for site-and-services and other institutional and self-help schemes which may mitigate the adverse conditions in which poor people, constructing their own dwellings, will otherwise inevitably live. In terms of water supply and sanitation there has been considerable progress for urban populations; but for inhabitants of rural areas the situation, though improving, is deplorable: only 22 per cent had access to safe water by 1975, and only 15 per cent had adequate sewage disposal facilities. 2/ (For urban populations, the figures were 77 and 75 per cent respectively.)

86. Developing countries' current experience of urban growth is akin to that of the industrialised countries in the nineteenth and early twentieth centuries, but with significant differences. Population growth rates are higher, so that cities experience both higher natural growth and in-migration. And nineteenth century industrialisation was more labour-intensive, so that urban growth was founded mainly on rapidly expanding employment. In today's developing countries the lack of opportunity in rural areas is a more potent

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1/ Grimes, 1976, cited by Morawetz, 1977.

2/ UN, 1977.

factor - migration has a larger content of "rural push" relative to "urban pull" than was the case in the nineteenth century. The consequences visible today are familiar. Extremely high rates of urban expansion, with dismal living conditions and high rates of unemployment or under-employment. An extreme case is that of Sao Paulo in Brazil, where the population was growing at some 6 or 7 per cent annually in the late 1960s and early 1970s, with a rising rate of infant mortality for the city as a whole over several years.

87. Many commentators have seen in these urban conditions a recipe for social and political disaster. However, in a historical perspective it is clear that such conditions have prevailed in many countries over very long periods, the cities eventually becoming less unpleasant places to live even for the less well-off as the urban economy grows. It is doubtful that much amelioration can occur while urban population continues to grow at current rates. 1/ The solutions to such problems may lie as much in rural as in urban policies, and the motives for finding them must be humane concern as much as fear of political consequences. In the meantime, it is perhaps worth remembering that the conditions rightly judged appalling by those who have studied them represent, for many of those who live in them, a situation less hopeless than that from which they have come.

1/ It is noteworthy that China and some other centrally-planned developing countries have attempted to slow urban growth by administrative fiat.

Table I

Growth rates of total real product 1960-1975

	Population 1975 (millions)	GNP 1975 at average 1973-1975 prices (bill.of dollars)	Total real product (annual percentage change)								
			1960-1970d/	1970-1975d/	1970-1973	1973-1975	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975
Developed market-economy countries	794	3633	5.1	3.1	5.0	-0.6	3.7	5.4	5.9	0.2	-1.4
Socialist countries of Eastern Europe a/	360	899	6.7	6.4	6.6	5.6	5.9	5.3	8.5	6.4	4.9
Socialist countries of Asia	901	258 b/	..	..	..	..	..	..	..	..	..
Developing countries e/	1867	713	5.2	5.5	6.0	4.0	5.1	5.5	7.4	5.2	2.9
Developing countries in											
Africa	374	115	4.7	4.5	5.8	2.0	5.0	6.4	5.9	2.7	1.4
Latin America	310	296	5.4	6.1	6.6	4.5	6.1	6.4	7.3	6.8	2.3
West Asia	78	100	7.8	8.7	10.3	5.1	10.8	9.4	10.6	10.0	0.5
South and East Asia	1102	201	4.7	4.4	4.4	4.0	2.8	3.1	7.3	3.0	5.0
Developing petroleum exporters c/	293	177	5.9	7.6	7.9	6.0	6.9	7.2	9.7	8.3	3.9
Developing countries excluding petroleum exporters	1574	536	5.1	5.1	5.6	3.6	4.8	5.2	6.9	4.5	2.7
Major developing fast-growing exporters of manufactures c/	107	108	7.9	6.7	7.6	4.1	5.5	8.1	9.3	6.2	2.1
Other developing countries	1467	428	4.5	4.7	5.2	3.5	4.6	4.5	6.3	4.1	2.8
By income level (per capita GNP in 1975 at average 1973-1975 prices)											
Over $250	450	287	5.0	6.0	6.9	3.9	6.8	6.4	7.5	5.8	2.1
Under $250	1017	141	3.8	2.4	2.2	2.6	1.1	1.4	4.2	1.0	4.2
of which:											
Least developed countries c/	245	31	3.4	2.7	2.6	2.8	0.9	4.1	2.8	1.5	4.2

Sources: UNCTAD secretariat calculations, based on data from the Statistical Office of the United Nations, the World Bank and other international and national sources.

a/ Excluding Albania.
b/ GNP in 1974.
c/ For definition, of country groupings, see explanatory notes.
d/ Trend rates.
e/ Accounting for 99 per cent of the population of total developing countries.

Table I: EXPLANATORY NOTES

Definition of developing country groupings used in Table I

The definition of developing countries and territories used in this Table was adopted by UNCTAD for purposes of statistical convenience only, and follows that given in the Explanatory Notes in the UNCTAD Handbook of International Trade and Development Statistics 1976.

The main groupings of developing countries and territories were defined as follows:

Major petroleum exporters

Countries with exports of petroleum exceeding 50 per cent of their total export value in 1974. They are: Algeria, Angola, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates and Venezuela.

Major fast-growing exporters of manufactures

Countries and territories whose exports of manufactures amounted to more than $50 million and accounted for more than one third of their total exports in 1972. In addition, the manufactured exports of these countries grew at an average annual rate higher than the world average of 16 per cent during the period 1967-1972. They are: Hong Kong, Israel, Republic of Korea, Lebanon, Malta, Mexico and Singapore.

Least developed countries

Afghanistan, Bangladesh, Benin, Botswana, Burundi, Bhutan, Central African Empire, Chad, Democratic Yemen, Ethiopia, Gambia, Guinea, Haiti, Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Sikkim, Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta, Samoa, Yemen.

For analytical purposes, developing countries were also classified into a higher income group (those with per capita GNP above $250 in 1975) and a lower income group (those below $250). The GNP data used in the classification were those for 1975 but valued at average 1973-1975 prices and exchange rates.

Table II - Selected Countries

Share of non-agricultural population in
total active population
(per cent)

	1950	1960	1974
Latin America + Carribean			
Argentina	74.8	80.0	85.2
Bolivia	36.6	39.0	41.7
Brazil	39.4	48.1	55.7
Chile	70.4	70.2	78.8
Colombia	46.1	48.5	61.4
Cuba	58.5	61.1	70.0
Dominican Republic	43.5	33.4	55.7
Ecuador	46.9	42.5	46.4
Jamaica	51.2	61.0	73.0
Mexico	42.2	44.9	59.1
Paraguay	46.2	44.0	51.4
Peru	....	47.5	59.4
Puerto Rico	63.2	76.2	92.2
Trinidad	....	79.0	85.5
Uruguay	....	79.3	83.3
Venezuela	58.7	64.9	79.7
Africa			
Algeria	25.1	33.2	44.3
Angola	....	30.5	36.5
Benin	....	45.5	47.7
Congo	....	48.7	54.7
Egypt	....	41.5	45.2
Ghana	....	38.5	45.2
Libyan Arab Republic	....	44.5	57.4
Morocco	28.8	36.3	50.0
S. Rhodesia	....	31.1	36.7
Tunisia	31.9	43.5	53.6
West Asia			
Cyprus	....	58.0	71.8
Iran	....	46.1	53.7
Iraq	....	46.8	53.4
Israel	....	85.6	93.7
Jordan	....	56.1	61.3
Kuwait	....	98.5	99.0
Lebanon	....	47.1	52.6

Table II - Selected Countries (contd.)

	1950	1960	1974
West Asia (contd.)			
Saudi Arabia	....	28.5	39.5
Syrian Arab Republic	....	45.7	49.1
Yemen, Democratic	....	29.5	37.9
South and South-East Asia			
Burma	....	31.7	36.3
Hong-Kong	....	92.3	96.1
India	....	25.9	28.0
Indonesia	....	25.2	37.8
Korea, Republic of	....	33.6	53.8
Korea, Democratic Republic of	....	38.0	46.8
Malaysia: Sabah	....	19.5	40.9
Malaysia: West	....	42.5	57.4
Pakistan	....	24.0	43.1
Philippines	34.3	39.5	44.7
Singapore	....	91.1	97.5
Sri Lanka	47.1	51.4	58.6

Source: UNCTAD 1976 (a)

For description of selection of countries, see text, para.22

Table III

GNP Originating in Manufacturing and Total
GNP by Region and Group of Countries, 1973

	GNP (Billion U.S. $)	GNP from Mfg. (Billion U.S. $)	Percent from Mfg.	GNP from Mfg. Per Capital	"Real" 1965-73 Growth of Mfg.
Developed Market Economies	3,303.8	957.2	29.0	1,319	4.9
Transitional Countries a/	117.6	31.0	26.4	545	9.3
Other Western Europe	1,241.1	434.6	35.0	1,512	5.0
North America	1,435.2	348.8	24.3	1,500	3.3
Japan	411.3	117.6	28.6	1,085	13.0
Australia, N.Z., S. Africa	98.6	25.2	25.6	624	4.6
Developing Market Economies	645.2	121.6	18.9	64	6.9
Latin America	237.6	60.4	25.4	208	7.8
East Asia	86.0	17.4	20.2	54	12.3
Turkey and Yugoslavia	48.3	12.9	26.7	218	8.0
South Asia	92.4	12.1	13.2	15	3.9
Middle East	83.2	8.2	9.8	112	5.4
North Africa	35.6	4.4	12.4	60	6.0
Sub-Saharan Africa	62.1	6.1	9.9	21	5.0
Total Market Economies	3,949.0	1078.8	27.3	411	5.1
Centrally Planned Economies	(966.2)	b/	b/	b/	(8.7) b/

a/ Spain, Portugal, Greece, Cyprus, Malta and Israel.

b/ Meaningful estimate difficult.

Data : GNP from World Bank Atlas 1976; GNP from manufacturing estimated based on shares of GDP from manufacturing at factor prices in World Tables 1976; real output growth from World Tables.

Source: World Bank, unpublished paper.

Table IV

Agricultural production in selected developing countries, 1960-1975

(Percentages)

Region, country or territory	Share of agriculture in total GDP 1974	Growth rates of agricultural production [a] (annual percentage change)			Current population growth
		1961-1970[b]	1970-1975[b]	1974-1975	
Africa					
North					
Algeria	13[c]	0.9	-3.1	-2.0	3.2
Egypt	31	3.4	1.1	1.6	2.2
Libyan Arab Republic	3[d]	5.3	15.3	11.1	4.2
Morocco	28	5.1	-0.4	-11.6	3.0
Sudan	32[e]	4.3	4.7	8.5	2.5
Tunisia	19	3.0	7.5	16.8	2.4
Other					
Angola	41	2.8	-3.8	-21.2	2.2
Benin	31	4.0	1.8	2.1	2.7
Botswana	32[d]	5.7	5.6	5.8	3.4
Burundi	63	4.6	10.1	-0.8	2.5
Cameroon, United Rep. of	32[d]	5.3	2.3	0.7	1.9
Central African Empire	32[e]	1.2	1.1	-0.8	2.2
Chad	49[f]	0.3	-3.4	4.8	2.1
Congo	17	-1.9	1.9	1.0	2.5
Equatorial Guinea	61	0.1	-6.5	6.1	1.7
Ethiopia	48	2.3	-2.9	1.9	2.5
Gabon	12[g]	3.3	1.3	2.3	1.0
Gambia	59	3.5	3.7	-11.4	2.5
Ghana	48[g]	1.6	1.1	2.5	2.7
Guinea	27	2.2	-0.6	11.2	2.4
Guinea Bissau	47	..	..	..	1.5
Ivory Coast	26	5.5	3.6	2.5	2.5
Kenya	26	3.4	1.4	1.5	3.6
Lesotho	42[g]	0.5	2.9	2.7	2.2
Liberia	25[d]	3.1	1.9	-2.8	2.3
Madagascar	29[e]	2.8	1.9	1.6	2.2
Malawi	44[d]	4.6	3.1	-3.1	2.5
Mali	37	1.7	-6.7	6.1	2.5
Mauritania	22[d]	2.0	-7.2	5.1	2.7
Mauritius	44	1.4	-1.0	-27.9	1.1
Mozambique	44	3.0	-1.4	-10.9	2.3
Namibia	..	2.5	5.9	2.5	3.0
Niger	51[c]	2.7	-2.4	4.0	2.7
Nigeria	36[d]	1.4	0.6	0.9	2.7
Reunion	12[f]	1.2	3.5	5.7	2.4
Rwanda	64	4.2	0.7	5.5	2.9
Senegal	24	-0.1	7.8	11.0	2.4
Sierra Leone	33	3.5	0.7	4.8	1.5
Somalia	32	3.1	2.3	2.3	2.6
Southern Rhodesia	16	0.5	5.0	-0.8	3.5
Swaziland	28[g]	6.1	4.3	2.6	3.1
Togo	39[g]	4.0	-2.1	7.2	2.6
Uganda	48[e]	3.4	0.0	-0.8	3.3

Table IV continued

Region, country or territory	Share of agriculture in total GDP 1974	Growth rates of agricultural production a/ (annual percentage change)			Current population growth
		1961-1970 b/	1970-1975 b/	1974-1975	
Other (continued)					
United Rep. of Tanzania	35	3.3	0.0	4.1	2.7
Upper Volta	43 h/	3.7	-2.0	4.7	2.3
Zaïre	15	2.5	0.6	0.0	2.8
Zambia	9	3.2	2.9	1.5	3.3
America					
Latin America					
Argentina	14 g/	2.0	1.5	1.7	1.3
Bolivia	15	3.7	5.3	4.5	2.6
Brazil	12 d/	3.6	3.4	-0.7	2.8
Chile	4	2.7	-1.3	0.0	1.7
Colombia	27	3.1	3.1	4.3	3.2
Costa Rica	19	6.4	4.1	7.1	2.7
Dominican Republic	22 d/	1.5	3.3	0.7	2.9
Ecuador	21	4.1	3.0	-0.7	3.4
El Salvador	26	1.9	5.4	-1.4	3.0
Guatemala	30	4.9	5.4	8.6	2.8
Haiti	44	1.3	1.9	1.7	1.6
Honduras	29	5.5	1.7	5.4	3.5
Mexico	10	3.4	1.1	-1.5	3.5
Nicaragua	24	5.6	5.2	0.0	3.3
Panama	16	5.6	2.4	3.8	3.3
Paraguay	35	3.5	3.1	8.8	2.6
Peru	16 g/	1.9	1.4	4.9	3.2
Uruguay	15	1.0	-2.3	-2.1	1.2
Venezuela	4	5.8	4.4	8.9	3.1
Other					
Barbados	12 g/	0.8	-5.0	-4.9	0.7
Cuba	..	2.5	-2.1	-1.7	1.7
Guadeloupe	19 f/	-0.5	-3.5	-2.4	1.6
Guyana	17 d/	1.7	0.4	2.6	2.2
Jamaica	7	1.2	0.7	3.7	1.7
Martinique	..	-0.9	2.4	4.3	1.5
Puerto Rico	3	-2.7	0.3	-2.5	2.8
Surinam	7 g/	8.6	1.6	3.3	3.2
Trinidad and Tobago	8 h/	2.3	-3.5	-4.9	0.8
Asia					
West					
Cyprus	17	8.3	-3.2	-22.4	0.8
Iran	12 d/	4.6	3.6	5.2	2.8
Iraq	14 e/	4.6	0.6	-2.8	3.3
Israel	5 d/	6.3	4.5	-5.8	3.2
Jordan	16	-5.6	3.6	-36.3	3.5
Lebanon	10 g/	3.9	5.3	-7.1	3.0
Saudi Arabia	1	3.5	3.9	1.3	3.0

Table IV continued

Region, country or territory	Share of agriculture in total GDP 1974	Growth rates of agricultural production a/ (annual percentage change)			Current population growth
		1961-1970 b/	1970-1975 b/	1974-1975	
West (continued)					
Syrian Arab Republic	20	0.3	8.5	0.8	3.3
Yemen	63	-1.2	9.1	36.4	2.9
Yemen, P.D.R.	19 f/	1.9	3.8	-0.7	2.7
South and East					
Afghanistan	51 c/	1.6	5.1	1.6	2.4
Bangladesh	59	2.8	1.4	8.1	2.4
Burma	42	1.4	2.8	6.8	2.4
Cambodia	41 i/	3.4	-19.2	8.2	2.8
Hong Kong	2 g/	-5.5	-6.5	6.5	1.8
India	41 g/	2.0	1.5	9.9	2.1
Indonesia	36	3.1	3.7	0.7	2.3
Korea, Republic of	25	4.7	2.4	5.6	1.7
Lao People's Dem. Rep.	..	6.9	1.7	1.9	2.4
Malaysia	32	5.9	5.7	0.0	3.0
Nepal	69	1.1	2.4	2.5	2.3
Pakistan	31	5.5	1.7	0.0	3.3
Philippines	28	3.0	4.8	7.6	3.0
Singapore	2	4.3	7.8	7.7	1.7
Sri Lanka	37	2.4	-0.3	-2.6	2.3
Thailand	32	4.1	4.3	7.3	3.2
Europe					
Malta	6	5.9	0.6	2.3	-0.2
Oceania					
Papua and New Guinea	34 e/	3.4	2.8	2.9	1.6

Source: UNCTAD secretariat calculations based on data from the Statistical Office of the United Nations, FAO and other international and national sources.

a/ Growth rates of agricultural production exceeding population growth are underlined.

b/ Trend rates.

c/ 1969.

d/ 1973.

e/ 1971.

f/ 1970.

g/ 1972.

h/ 1968.

i/ 1966.

Table V

Per capita real product and population of selected developing countries and territories, 1960-1975

Countries and territories ranked in descending order of per capita GNP 1975 at 1973-1975 prices	Per capita GNP 1975 (at 1973-75 prices) ($)	Population 1975 (million)	Per capita real product growth				Current population growth
			1960-1970 a/	1970-1975 a/	1973-1974	1974-1975	
Libyan Arab Rep.	4621	2.44	19.8	2.4	5.7	4.1	4.2
Israel	3385	3.37	4.8	4.2	3.4	-2.2	3.2
Saudi Arabia	2642	8.97	6.6	11.2	18.0	-6.6	3.0
Singapore	2291	2.25	7.6	8.0	4.6	2.3	1.7
Puerto Rico	2239	3.09	4.3	-0.3	-6.1	0.4	2.8
Gabon	2071	0.53	4.9	17.3	38.1	5.7	1.0
Venezuela	2005	11.99	2.6	1.9	2.6	2.3	3.1
Trinidad and Tobago	1909	1.08	3.7	6.8	14.2	12.3	0.8
Hong Kong	1594	4.37	10.9	3.5	-1.8	-1.0	1.8
union	1557	0.50	8.5	1.9	2.8	0.4	2.4
gentina	1469	25.38	2.9	2.8	5.4	-3.4	1.3
Malta	1312	0.30	5.7	7.9	11.0	7.5	-0.2
Iran	1278	33.02	6.7	5.7	5.6	2.2	2.8
Uruguay	1219	3.06	0.0	-1.0	0.4	2.4	1.2
Iraq	1200	11.12	2.3	8.2	4.5	8.1	3.3
Jamaica	1169	2.03	3.8	0.0	-0.4	-1.8	1.7
Barbados	1138	0.25	3.1	-2.5	-7.9	-5.1	0.7
Mexico	1094	60.15	3.7	2.4	2.3	0.4	3.5
Cyprus	1041	0.64	5.7	-4.7	-18.6	-21.1	0.8
Panama	985	1.67	4.3	1.8	-0.6	-1.5	3.3
Brazil	931	107.15	2.4	6.7	6.6	1.2	2.8
Costa Rica	846	1.97	3.6	3.7	2.6	0.7	2.7
Algeria	789	16.78	-0.5	2.2	-6.8	8.0	3.2
Peru	742	15.62	1.6	2.4	3.5	0.3	3.2
Chile	708	10.25	2.7	-2.6	2.6	-14.7	1.7
Tunisia	693	5.77	1.7	6.8	7.4	6.6	2.4
Syria	680	7.35	2.3	8.3	14.9	21.4	3.3
laysia	667	11.90	2.8	4.0	3.2	-1.8	3.0
minican Republic	664	4.70	1.6	6.8	4.5	2.1	2.9
Nicaragua	656	2.16	3.6	2.6	10.1	-2.1	3.3
Mauritius	592	0.86	0.7	7.8	9.6	2.1	1.1
Guatemala	577	5.85	2.7	3.1	3.5	-0.6	2.8
Guyana	555	0.79	2.2	6.5	22.6	11.0	2.2
Angola	551	6.19	2.4	0.9	8.5	-22.4	2.2
Paraguay	522	2.65	1.9	3.7	5.6	2.3	2.6
Korea, Rep. of	514	34.66	7.1	8.6	7.0	7.0	1.7
Colombia	507	23.54	1.8	3.2	2.7	1.3	3.2
Ivory Coast	503	4.89	5.3	4.0	-3.4	9.4	2.5
Southern Rhodesia	495	6.31	1.1	2.9	6.0	-4.7	3.5
Ecuador	489	6.73	1.6	6.9	9.9	1.8	3.4
Papua New Guinea	463	2.76	4.9	5.1	4.3	-1.6	1.6
Congo	454	1.35	3.3	5.2	1.5	-3.4	2.5
Zambia	447	4.90	4.3	-2.3	-3.2	-14.0	3.3
Morocco	425	17.31	0.9	1.7	6.8	-1.1	3.0
Jordan	422	2.70	3.3	-1.7	3.6	-2.0	3.5
El Salvador	412	4.01	2.9	1.9	3.3	0.4	3.0
Swaziland	403	0.49	4.4	6.2	2.2	3.3	3.1
Guinea Bissau	391	0.53	2.8	0.4	2.4	0.2	1.5
Liberia	391	1.71	2.9	0.2	-3.6	0.2	2.3
Ghana	376	9.87	-0.4	1.2	0.9	-12.5	2.7

Table V (continued)

Countries and territories ranked in descending order of per capita GNP 1975 at 1973-1975 prices	Per capita GNP 1975 (at 1973-75 prices) ($)	Population 1975 (million)	Per capita real product growth				Current population growth
			1960-1970 a/	1970-1975 a/	1973-1974	1974-1975	
Senegal	340	4.14	-1.4	-7.2	-1.1	2.9	2.4
Philippines	338	42.51	2.1	3.0	1.8	2.3	3.0
Honduras	329	3.04	1.6	-0.7	-2.8	-3.4	3.5
Thailand	318	41.87	5.0	3.3	1.5	2.5	3.2
Lebanon	312	2.87	1.4	-12.3	5.8	-70.9	3.0
Egypt	299	37.23	2.2	3.2	-8.8	6.6	2.2
Bolivia	291	5.63	3.1	3.3	4.0	4.1	2.6
Botswana	291	0.69	2.2	20.3	8.9	0.4	3.4
Equatorial Guinea	286	0.31	1.6	-6.6	1.1	-1.5	1.7
Mozambique	286	9.24	1.3	-3.0	-10.5	-15.8	2.3
Mauritania	277	1.32	5.3	-1.5	5.2	-4.6	2.7
Nigeria	275	62.93	2.4	3.6	4.9	-1.9	2.7
Cameroon, United Rep. of	251	6.40	3.5	2.5	3.3	0.2	1.9
Uganda	228	11.55	1.9	-3.3	-5.0	-5.1	3.3
Sudan	225	17.76	-0.4	-3.3	-6.8	-2.2	2.5
Togo	220	2.22	6.7	-1.1	1.3	-11.9	2.6
Yemen, P.D.R.	219	1.69	-5.4	-1.2	0.2	-0.7	2.7
Yemen	208	6.67	1.3	3.1	-3.1	15.3	2.9
Central African Empire	207	1.72	-0.9	-2.3	0.2	-1.4	2.2
Kenya	194	13.40	4.4	1.4	1.4	-3.0	3.6
Sierra Leone	190	2.75	5.3	0.5	0.9	-0.2	1.5
Madagascar	178	7.52	1.1	1.6	5.6	-1.2	2.2
Haiti	173	4.58	-0.6	2.5	2.7	1.9	1.6
Indonesia	171	136.04	1.0	4.3	4.6	0.7	2.3
Gambia	168	0.52	1.6	5.9	-2.4	-1.3	2.5
Tanzania, United Rep. of	150	15.31	5.0	0.2	-0.5	-6.4	2.7
India	144	598.10	1.4	-0.2	-2.0	2.8	2.1
Lesotho	144	1.04	0.8	1.0	-0.7	2.8	2.2
Zaire	141	24.90	-0.3	2.1	1.5	-6.1	2.8
Malawi	132	5.04	2.2	5.3	1.7	1.8	2.5
Pakistan	131	70.26	2.8	-0.1	-2.2	0.7	3.3
Niger	129	4.60	2.5	-5.1	-18.6	7.2	2.7
Sri Lanka	128	13.99	2.6	3.0	7.5	-1.5	2.3
Guinea	123	4.42	-1.1	2.3	5.2	2.7	2.4
Benin	119	3.11	1.4	-4.0	-8.1	-1.0	2.7
Afghanistan	113	19.28	0.1	1.8	0.6	2.8	2.4
Bangladesh	109	76.82	1.3	1.4	-0.4	8.8	2.4
Burma	104	31.24	0.0	0.5	2.0	3.6	2.4
Chad	100	4.03	-2.1	-0.9	4.3	-0.4	2.1
Nepal	100	12.57	0.0	0.3	3.9	-0.5	2.3
Ethiopia	97	27.95	1.8	0.3	0.1	-3.4	2.5
Somalia	91	3.17	-0.9	1.7	-1.0	1.2	2.6
Burundi	89	3.76	-5.0	4.5	5.2	-1.2	2.5
Upper Volta	84	6.03	2.6	-0.6	13.7	-7.0	2.3
Rwanda	80	4.20	1.7	-3.8	-12.5	0.2	2.9
Mali	80	5.70	-2.1	-3.0	-1.2	-0.4	2.5
Cambodia	70	8.11	0.8	-12.2	-12.7	0.1	2.8
Lao People's Dem.Rep.	68	3.30	1.9	-0.5	0.8	-2.3	2.4

Source: UNSource: UNCTAD, 1977, based on data from the Statistical Office of the United Nations, The World Bank and other international and national organizations.

a/ Trend rates.

Table VI

Distribution of developing country population according to per capita real product growth

	Annual percentage rate of growth									
	Increasing							Decreasing		
	8% and above	5½ to 8%	3½ to 5½%	Target = 3½%	2½ to 3½%	1½ to 2½%	0 to 1½%	-1½ to 0%	-4 to -1½%	Below -4%
1960-1970										
Number of countries	3	7	19		16	23	17	9	2	2
Percentage of total population	0.4	4.4	8.9		9.4	20.7	50.7	4.7	0.5	0.3
1970-1975										
Number of countries	7	11	12		13	14	12	12	11	6
Percentage of total population	3.5	8.7	12.6		12.0	10.2	10.7	37.4	3.8	1.1

Source: UNCTAD, 1977

COMBINED PRIMARY AND SECONDARY EDUCATION ENROLMENT
AS PER CENT OF POPULATION 5-19

COUNTRY	VALUES 1960	1970
ANGOLA	7.0	24.5
BENIN	13.0	20.1
BURUNDI	***	16.1
CAMEROON	42.0	49.0
CENT. AFR. REP.	16.0	33.2
CHAD	***	***
ETHIOPIA	3.0	8.6
GHANA	30.0	46.6
GUINEA	10.0	***
IVORY COAST	23.0	38.3
KENYA	35.0	37.1
LIBERIA	***	23.5
MADAGASCAR	26.0	41.3
MALAWI	29.0	23.8
MALI	5.0	***
MAURITANIA	***	8.8
MOZAMBIQUE	19.0	21.6
NIGER	3.0	***
NIGERIA	26.0	***
RWANDA	***	30.2
SENEGAL	16.0	22.8
SIERRA LEONE	11.0	21.4
SOMALIA	4.0	***
SOUTH AFRICA	55.0	54.2
S. RHODESIA	***	34.6
TANZANIA	14.0	18.0
TOGO	21.0	34.9
UGANDA	24.0	20.0
UPPER VOLTA	5.0	***
ZAIRE	***	42.1
ZAMBIA	34.0	48.0
ALGERIA	22.0	41.3
EGYPT	35.0	42.9
LIBYA	33.0	57.3
MOROCCO	21.0	27.0
SUDAN	9.0	16.5
TUNISIA	36.0	53.6
CANADA	81.0	87.8
U.S.A.	81.0	81.8
COSTA RICA	56.0	58.0

COUNTRY	VALUES 1960	1970
CUBA	57.0	65.1
DOMINICAN REP.	52.0	51.3
EL SALVADOR	38.0	43.2
GUATEMALA	24.0	29.2
HAITI	***	***
HONDURAS	32.0	44.6
JAMAICA	51.0	60.5
MEXICO	42.0	55.1
NICARAGUA	32.0	42.1
PANAMA	53.0	61.2
PUERTO RICO	***	79.0
ARGENTINA	58.0	65.4
BOLIVIA	31.0	43.8
BRAZIL	37.0	48.9
CHILE	59.0	71.4
COLOMBIA	37.0	43.8
ECUADOR	42.0	53.3
PARAGUAY	50.0	52.9
PERU	41.0	63.6
URUGUAY	***	71.9
VENEZUELA	58.0	53.5
IRAN	24.0	40.9
IRAQ	37.0	39.3
ISRAEL	***	67.3
JORDAN	46.0	***
LEBANON	53.0	64.8
SAUDI ARABIA	5.0	***
SYRIA	36.0	53.3
TURKEY	35.0	49.9
YEMEN (A.R.)	***	***
YEMEN (P.D.R.)	***	***
AFGHANISTAN	4.0	***
BURMA	26.0	***
CHINA	***	***
HONG KONG	53.0	71.9
INDIA	31.0	41.1
INDONESIA	***	37.5
JAPAN	73.0	73.9
KAMPUCHEA	33.0	***
KOREA (D.P.R.)	***	***

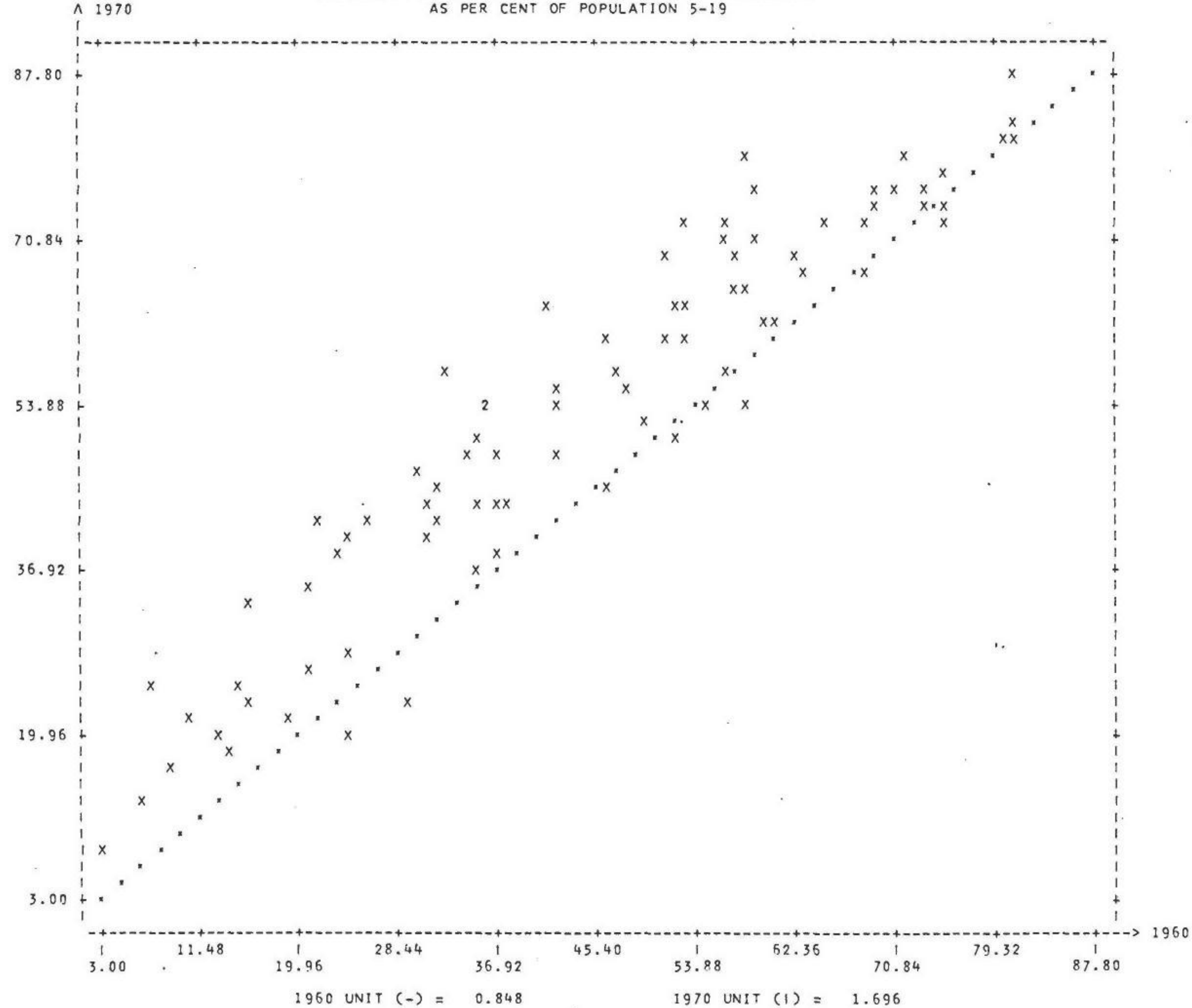
COUNTRY	VALUES 1960	1970
KOREA (REP.)	52.0	64.9
LAO	15.0	25.0
MALAYSIA	48.0	55.4
MONGOLIA	***	51.9
NEPAL	6.0	14.0
PAKISTAN	20.0	***
PHILIPPINES	47.0	57.9
SINGAPORE	61.0	63.0
SRI LANKA	***	60.3
THAILAND	46.0	45.2
VIETNAM (D.R.)	***	***
VIETNAM (REP.)	37.0	***
AUSTRIA	59.0	75.5
BELGIUM	81.0	82.3
DENMARK	71.0	75.8
FINLAND	69.0	74.0
FRANCE	74.9	73.3
GERMANY (F.R.)	72.0	80.0
GREECE	56.0	71.9
IRELAND	75.0	74.2
ITALY	51.0	69.8
NETHERLANDS	75.0	77.4
NORWAY	73.0	75.9
PORTUGAL	46.0	60.0
SPAIN	***	66.2
SWEDEN	69.0	76.5
SWITZERLAND	***	***
UNITED KINGDOM	***	79.7
ALBANIA	62.0	69.3
BULGARIA	65.0	72.1
CZECHOSLOVAKIA	68.6	67.1
GERMANY (D.R.)	58.0	78.6
HUNGARY	63.0	66.8
POLAND	68.0	72.0
ROMANIA	56.0	70.5
U.S.S.R.	57.0	68.8
YUGOSLAVIA	60.0	62.0
AUSTRALIA	***	83.2
NEW ZEALAND	80.0	80.9
PAPUA-N.GUINEA	***	28.1

	1960	1970
MINIMUM VALUES	3.0	8.6
MAXIMUM VALUES	81.0	87.8

NUMBER OF COUNTRIES WITH DATA -(FOR 1960 96
(FOR 1970 99
(FOR BOTH YEARS 83

Source: UNRISD 1976

COMBINED PRIMARY AND SECONDARY EDUCATION ENROLMENT
AS PER CENT OF POPULATION 5-19



<u>Source</u>: UNRISD 1976

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Retained with thanks
S. Frampton

The Independent Commission on
International Development Issues

Secretariat Paper 1

B

Second Meeting
10-12 March 1978

17 February 1978

836/1/47

Recent North-South Negotiations

Report by the Director of the Secretariat

CONTENTS

The Independent Commission on
International Development Issues

Secretariat Paper 1

Second Meeting
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17 February 1978

RECENT NORTH-SOUTH NEGOTIATIONS

Report by the Director of the Secretariat

1. At the first meeting of the Commission, the Secretariat was requested to prepare documentation on North-South negotiations in recent years. Attached are the Secretariat papers on:

(a) Negotiations on External Indebtedness of Developing Countries (Supplement 1)

(b) Negotiations on Commodity Trade (Supplement 2)

(c) Negotiations on International Monetary Reform (Supplement 3)

(d) Access to Markets and Multilateral Trade Negotiations (Supplement 4)

(e) Negotiations on Transfer of Technology (Supplement 5)

(f) Negotiations on Transnational Corporations (Supplement 6)

(g) Negotiations on the Law of the Sea (Supplement 7)

2. The coverage is limited to multilateral negotiations, most of which have taken place in international organizations. Bilateral negotiations have not been considered. Other omissions concern the economic co-operation between the European Economic Community (EEC) and a number of developing countries, and also the economic co-operation amongst developing countries; however, no major current negotiations are under way on these issues. Another omission concerns international migration of labour and the brain drain, which the Secretariat will remedy as its work progresses.

3. The negotiations described in the attached papers have been taking place over varying lengths of time. They have occurred against the background of profound changes in the world community. In the 1950s and the early 1960s most of the attention in international discussions on

development issues was focussed on the provision of loans, grants and technical assistance. But looming close behind were the demands for fundamental changes in the international trading and financial systems. At the first session of the United Nations Conference on Trade and Development (UNCTAD I) in 1964, an extensive agenda, including a wide range of commercial and monetary issues, was introduced. In subsequent years, and especially at the Special Sessions of the General Assembly of the United Nations of 1974 and 1975, these issues were sharpened and brought together in the call for a New International Economic Order. They dominated the debates at UNCTAD IV in Nairobi in 1976 and at the Conference on International Economic Co-operation (CIEC) in Paris in 1977. Negotiations have been under way on these issues since, and they represent the main subjects of the present report.

4. The general conclusion which emerges is that progress has been negligible in some key negotiating areas. In some others, the outcome will be known later this year. A summary is as follows:

(a) No significant advance has been made in the negotiating area of prices of raw materials and foodstuffs exported by developing countries. The Negotiating Conference on a Common Fund within the Integrated Programme for Commodities (IPC), after two unsuccessful sessions in 1977, was suspended in early December. Individual commodity negotiations have made little progress, and only one commodity agreement has been renegotiated (sugar), outside the IPC. The deadline for these negotiations, held under UNCTAD auspices, is the end of 1978.

(b) The negotiations on external indebtedness of developing countries so far have not been fruitful. While it is agreed that there is a debt problem, views differ amongst the governments of the developed and developing countries as to its magnitude and gravity, and on appropriate remedies. Some progress is possible with respect to the position of the poorest countries at the special UNCTAD ministerial meeting scheduled for early March 1978, but it is unlikely that consensus can be reached regarding the debt problem of developing countries in general. An assessment of the implications of further growth of debt, particularly of the short-term variety, which has come to dominate new borrowing by the developing countries, seems necessary, and the Secretariat plans to devote considerable attention to this area in the future.

(c) The danger of restrictions on access to markets for exports of developing countries has never been greater in the post-war period than today, in view of the recession and associated unemployment in the industrialized countries. It is hoped that the GATT multilateral trade negotiations, which are now entering the active phase, would be of help to at least some developing countries; this would be facilitated if they were given adequate opportunity to participate in these negotiations in all stages. On the other hand, a large potential market for the exports of developing countries are the developing countries themselves. The experience of their mutual trade has been mixed so far, but the objective possibilities have never been as great. A number of developing countries are now producing competitively a wide range of capital goods and intermediate products, which offer an opportunity for large-scale intra-trade, not only amongst these countries but also between them and those industrially less advanced. The Secretariat intends to explore the realistic possibilities of expanding economic co-operation amongst the developing countries and to examine national and international measures needed to this end.

(d) With respect to transfer of technology, the original deadline set at UNCTAD IV for completing an internationally-agreed code of conduct by the end of 1977 was missed, but the negotiations are continuing towards the Fifth and the Sixth Sessions of the Intergovernmental Group on the code, to culminate in a Negotiating Conference scheduled for October-November 1978 under UNCTAD auspices. The main issues on which the developing and the developed countries are still far apart are: scope of application; extent of national regulation; restrictive practices to be regulated; applicable law on procedures for dispute settlement; and finally, the very character of the code, that is, a legally binding convention or only guidelines. Also under way are negotiations to revise the Paris Convention on patents so as to respond to the interests of the developing countries in the field of industrial property.

(e) A code of conduct is also being negotiated for transnational corporations, following the initiative and inquiries of the United Nations over the last few years. An Intergovernmental Working Group is scheduled to complete the draft code by the spring of 1978. The key issues to be resolved are: whether the code should deal solely with the behaviour of transnational corporations or should also cover government policies; whether it should attempt to achieve regulation on a mandatory basis or be a voluntary code; and how comprehensive the coverage of activity of the corporations should be.

(f) The on-going negotiations on the Law of the Sea have a major economic aspect in that the Law will regulate the utilization of mineral resources of the sea-bed and ocean floor. The disagreement concerns the terms of exploitation, the developing countries arguing in favour of an international enterprise controlling all mining areas and issuing licences, and most developed countries advocating a substantially larger role of private companies as contractors.

(g) Outside the United Nations Organization proper, there are under way, or are expected, important discussions concerning the future of the international financial systems. In the International Monetary Fund, the decisions on the Seventh Quota Review are now pending before the governments and are overdue. Looming ahead is the Eighth Quota Review. Decisions on these issues will determine the size of organized international liquidity, which is of major importance for the ability to cope with the likely international payments imbalances and with the international recession. In the World Bank and other international development agencies there is the issue of the future volume of lending and the associated issues of the size of capital and appropriate levels of their own borrowing. With respect to all international financial agencies, there are the issues of appropriate sharing of responsibility for decision making and management, which are of vital concern to the developing countries. Finally, there are issues of the principles of lending operations and conditions placed upon the borrowing countries, which may require re-examination.

5. Professor Justinian Rweyemamu was the principal author of the papers on negotiations on external indebtedness, commodity trade, transfer of technology and transnational corporations. Mr. Liaqat Ali was the principal author of the papers on negotiations on monetary reform, access to markets and multilateral trade negotiations, and the Law of the Sea. Extremely valuable comments and suggestions were received from Professor Ohlin, especially on the paper on monetary reform.

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The Independent Commission on
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NEGOTIATIONS ON EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES

A. Introduction

1. The external indebtedness of developing countries has been rising steadily since the 1950s, but in the three years between end-1973 and end-1976 it doubled, which amounted to a faster growth than ever before. Although accelerating inflation made for similar growth in the money value of output and export earnings of developing countries as a group, the debt position of non-oil producing developing countries deteriorated considerably. During the decade 1967-76, the debt of middle-income non-oil producing developing countries rose, as a percentage of exports, from 77 per cent to 105 per cent, and of low-income countries from 184 per cent to 213 per cent. The proportion of exports absorbed by debt service also increased in both groups of non-oil producing developing countries by about one-third. At the end of 1976, the disbursed official and non-official long-term external debt of these countries reached $176 billion, and including the oil-producing developing countries, $207 billion. The debt explosion became a cause of great concern.

2. An important aspect was the relatively sudden increase in borrowing from private sources. Over 60 developing countries were able to borrow in the Eurocurrency market, although the heavy borrowers were high or middle income countries, mainly with rapidly rising exports. The maturities of commercial loans were shorter then those of official credit and created a need for frequent roll-over in the major borrowing countries. The maturity structure of the debt has deteriorated, and a great bunching of payments has occurred in many countries.

3. The intensified borrowing by non-oil producing countries was related to the major disequilibrium in their balances of payments caused by the increases in their import prices of oil, foodstuffs and capital equipment, compounded subsequently by the weakening of their export earnings as a result of the recession in the industrialized countries. At the same time, the funds available for lending increased, as the recycling of the Organization of Petroleum Exporting Countries (OPEC) and some major industrial countries' surpluses was facilitated by the low demand for funds in the industrialized countries in the recession.

4. At its Seventh Special Session (September 1975), the United Nations General Assembly in resolution 3362 suggested that the debt burden was becoming excessive and that UNCTAD IV should "consider the need for, and the possibility of, convening as soon as possible a conference of major donor, creditor and debtor countries to devise ways and means to mitigate this burden".

B. Proposals by the Developing Countries (Group of 77)

5. The Third Ministerial Meeting of the developing countries (Group of 77) in its Manila Declaration and Programme of Action presented the following proposals to UNCTAD IV:

(a) debt relief should be provided by bilateral creditors and donors in the form of waivers or postponements of interest payments and/or amortization, cancellation of principal etc., of official debt to developing countries seeking such relief. In that framework, the least developed, the developing landlocked and the developing island countries should have their official debts cancelled;

(b) multilateral development finance institutions should provide programme assistance to each developing country in amount no less than its debt service payments to these institutions;

(c) agreement should be reached to consolidate commercial debts of interested developing countries and to reschedule payments over a period of at least 25 years. The consolidation of commercial debts and the rescheduling of payments would require the establishment of suitable financial arrangements or machinery which might include, *inter alia*, a multilateral financial institution, such as a fund or a bank, designed to fund the short-term debts of interested developing countries.

6. Similar proposals were presented by the developing countries at the Conference on International Economic Co-operation (CIEC) in Paris.

C. Response of the Developed Market Economy Countries (Group B)

7. At UNCTAD IV, Group B rejected these proposals, and at the CIEC Ministerial Conference an EEC/US proposal was instead advanced which emphasized that borrowing and debt had a vital place in development finance and suggested a distinction between debt situations involving default risk, and structural balance-of-payments problems of a long-term nature, involving a need for a greater transfer of resources. They suggested that the former should be treated on a case-by-case basis in creditor clubs, and that the latter should be analyzed, at the request of the debtor, by an international financial institution.

8. A Special Action Programme was, however, eventually announced at CIEC, under which Group B countries were to provide $1 billion of additional aid to low-income countries.

9. At the meeting of experts in December 1977, which was not a negotiating forum, Group B presented details of the commitments made under the Special Action Programme as well as its analysis of the debt situation. Debt problems were seen as balance-of-payments problems somewhat arbitrarily linked with debt-service payments which only represented one item in the whole balance of payments. The growth of debt and debt service was by and large concentrated on those countries that could handle it in the Group B view. Although there was some concern among bankers about the growth of private lending to developing countries, the latter often seemed to prefer these channels to conditional International Monetary Fund (IMF) facilities which had not been drawn on to the extent expected. On the other hand, those low-income countries with low oil imports and substantial grant aid were found by Group B countries to have few debt problems except where crop failures or domestic upheavals had caused general difficulties.

10. Sweden introduced a memorandum calling for the writing off of ODA debts to the poorest countries, with reference to the fact that aid to such countries was now mostly given in grant form. Sweden had already taken steps to cancel its own debts of this kind.

D. Counter-Reply of the Developing Countries (Group of 77)

11. The Group of 77 in their papers see the debt issue in relation to development objectives. A developing country is deemed to have a serious debt problem if the servicing of its debt significantly impairs its ability to sustain a level of imports adequate to meet a development programme whose targets have been accepted by the international community. It is also argued that the international economic environment has presented them with enormous problems beyond their control and unrelated to their ability to manage their own economies. They are facing a world where the trend in aggregate demand is inadequate and perhaps falling, where access to markets in developed countries for developing countries' exports is worsening and there is neither adequate balance-of-payments financing nor an increasing flow of official development assistance. On the other hand, adoption of the Group of 77 proposals would, in their view, result in a rapid and substantial increase in ODA flows and, by enabling developing countries to increase their imports, it would give a strong thrust to aggregate global demand and improve the economic environment generally.

12. The Group of 77 argue that the cause of the increased debt burden is of a general and external nature and that the solutions must equally address the problem of developing countries on a general basis. General debt relief would not adversely affect the developing countries' creditworthiness or confidence in private capital markets. In the first place, the measure would be in favour of those countries that do not have access to capital markets. Secondly, the measure would be understood by the private capital markets as an expression of the commitment of the international community to underpin the development process in developing countries. Thirdly, the Group of 77 argues, a number of developed countries (notably Sweden, Switzerland, The Netherlands and Canada)

have already converted into grants all of their outstanding official development assistance loans to the least developed countries without any adverse effects on the private capital markets. Nor do they agree that debt relief will affect the distribution of flows adversely as claimed by Group B. As long as the net transfers are positive, debt relief will only change the distribution if it is additional, and this would be a change at the margin. Finally, debt relief and increased transfer of resources are not equivalent measures. Debt relief has advantages which are met only in part by increased ODA flows: it is quickly disbursable, untied, and available in its entirety.

E. Position of the Socialist Countries of Eastern Europe (Group D)

13. The Group D has agreed with the diagnosis of the Group of 77 with respect to the sources of the increased indebtedness of the developing countries. While debt constitutes a serious problem, members of Group D feel they are not responsible for those factors which lead to developing countries' indebtedness. Moreover, the credit relationships between socialist and developing countries are of a different and special nature. These countries are, however, prepared to collaborate with interested developing countries on a bilateral basis and in the light of each specific situation, to seek mutually acceptable solutions to monetary and financial problems.

14. The Group D countries themselves have become major borrowers in the international capital market, and the debts of some have risen substantially in recent years. Consequently, while the Group D countries appear as creditors of the developing countries in some cases, they are in the majority large debtors.

F. Future Prospects

15. A special ministerial meeting of the Trade and Development Board of UNCTAD has been scheduled for early March 1978, to discuss the debt problem. It was preceded by a senior officials' meeting (23-27 January 1978) which failed to agree on an agenda for the next meeting. The Group of 77, however, expects the ministers to decide that "(a) the official debt owed to developed countries by least developed, land-locked and island developing countries should be cancelled or converted into grants; and (b) the official debt owed to developed countries by other most seriously affected countries should also be cancelled/converted into grants or at a minimum be recomputed on IDA terms". It is not known, at the time of writing this report, whether and in what degree these expectations are likely to be realized.

16. Although some progress is possible on these points, the debt talks so far have not been very fruitful. An analysis of the reasons for this is beyond the scope of this report. Also beyond its scope is an assessment of the implications of further growth of debt, particularly of the shorter term variety, which has come to dominate new borrowing by the developing countries. The Secretariat plans to devote considerable attention to this area in the future.

Table 1

TOTAL DEBT OF DEVELOPING COUNTRIES (DISBURSED) AT END 1975 AND THEIR DEBT SERVICE IN 1975 BY CATEGORY OF LENDERS

Creditor	Debt outstanding		Debt service		Interest payments		Amortization payments	
	$ million	% of total	$ million	% of total	$ million	% of debt (a)	$ million	% of debt (a)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. DAC countries	110 162	63.7	18 646	71.8	5 642	6.2	13 004	14.4
- ODA	33 845	19.6	1 890	7.3	815	2.5	1 075	3.3
- Other official debt	10 635	6.1	1 784	6.9	515	6.1	1 269	15.0
- OGTEC	33 154	19.2	8 930	34.4	(2 022)	7.5	(6 908)	26.7
- Other bilateral private debt (b)	32 528	18.8	6 042	23.2	2 290	9.2	3 752	14.7
2. International private markets (c)	24 207	14.0	3 605	13.9	(1 750)	10.0	(1 855)	10.6
3. International organizations	19 830	11.5	1 590	6.1	895	5.6	695	4.4
- of which IDA	5 574	3.2	(46)	0.2	(35)	0.8	(11)	0.2
4. Centrally-planned economies	8 325	4.8	(820)	3.2	143	1.8	(677)	8.5
5. Oil producers	6 080	3.5	370	1.4	148	4.1	222	6.2
6. Other developing countries	3 256	1.9	689	2.7	241	8.5	448	16.0
7. Other and adjustments	1 070	0.6	246	0.9	(80)	n.a.	(166)	n.a.
TOTAL	172 930	100.0	25 966	100.0	8 899	6.4	17 067	12.3

(a) Disbursed debt at end-1974.

(b) Bank loans, foreign bonds, nationalizations and other.

(c) Euro-currency credits, Euro-bonds and other.

Source: UNCTAD, Report of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries on its Second Session (held at the Palais des Nations, Geneva, from 5 to 15 December 1977), TD/B/685/Add.1

Table 2

TOTAL DEBT (DISBURSED) AT END 1975 AND DEBT SERVICE IN 1975 OF DEVELOPING COUNTRIES, BY INCOME GROUPS

Income Group	Debt outstanding		Debt service		Population		GNP	
	$ million	%	$ million	%	million	%	$ billion	%
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Least developed countries	7 422	4.	522	2	247	12	34	3
Most seriously affected countries	35 002	20	2 982	11	1 073	52	176	17
1. $265 and less (a)	27 662	16	2 052	8	1 045	51	150	14
2. $266 – $520 (b)	19 760	11	2 480	9	219	11	81	8
3. $521 – $1075	52 019	30	8 278	32	320	15	260	25
4. Over $1075	44 692	26	7 975	31	185	9	305	30
Total non-oil developing countries (1-4)	144 133	83	20 785	80	1 769	86	796	77
5. Oil exporting countries	28 797	17	5 181	20	286	14	233	23
Total developing countries	172 930	100	25 966	100	2 055	100	1 029	100

(a) Excluding Indonesia

(b) Excluding Nigeria

Source: As for Table 1.

Table 3

Total Debt of Developing Countries[a] (Disbursed), at year end, during 1960-1976 by Source of Lending

$ billion

	Source of Lending	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976(p)
1.	DAC Countries	14.3	16.3	18.6	21.8	25.5	29.3	33.5	38.6	44.6	51.0	57.9	64.9	69.1	76.9	89.5	110.2	127.1
	- ODA	5.0	6.0	7.0	8.7	10.3	12.0	13.7	15.9	18.0	20.3	22.6	24.0	25.2	27.4	30.0	33.8	37.1
	- Total export credits	6.9	7.4	8.1	9.1	10.5	12.0	13.7	15.7	18.5	21.0	23.8	27.5	28.5	31.0	34.0	43.8	53.5
	- Other (private)	2.4	2.9	3.5	4.0	4.7	5.3	6.1	7.0	8.1	9.7	11.5	13.4	15.4	18.5	25.5	32.5	36.5
2.	International financial markets	-	-	-	-	-	-	-	-	-	0.3	0.5	1.9	4.7	12.0	17.5	24.2	33.5
3.	International organizations	2.8	3.0	3.3	3.6	4.1	4.6	5.2	5.8	6.5	7.3	8.1	9.4	11.0	13.2	16.0	19.8	23.6
4.	Centrally-planned economies	0.7	1.5	2.0	2.2	2.6	3.0	3.2	3.7	4.3	5.0	5.5	6.1	6.6	7.4	8.0	8.3	9.0
5.	OPEC countries	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.9	3.6	6.1	8.3
6.	Other developing countries	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.4	0.6	0.9	1.0	1.4	2.0	2.6	3.3	3.8
7.	Other and adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.1	1.5
	TOTAL	17.9	20.9	24.0	27.7	32.4	37.1	42.2	46.4	55.8	64.2	72.9	83.3	92.9	112.4	137.2	172.9	206.8
	Annual increase %	-	17	15	15	17	15	14	15	15	15	14	14	12	21	22	26	20

a/ Including intra-developing country debt.

Note: (p) = provisional.

Source: As for Table 1.

Table 4

Total Annual Debt Service of Developing Countries a/ during 1960-1976 by Source of Lending

$ billion

Source of Lending	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976 (p)
1. DAC Countries	2.4	2.5	2.7	3.3	3.6	4.2	4.8	5.3	6.2	7.3	7.6	8.8	10.4	12.5	14.4	19.6	22.0
- ODA	0.4	0.5	0.5	0.7	0.8	0.9	1.0	1.0	1.1	1.1	1.3	1.4	1.6	1.7	1.7	1.9	2.1
- Total export credits	1.7	1.7	1.8	2.0	2.1	2.4	2.7	3.0	3.6	4.4	4.5	5.1	6.0	7.4	8.7	10.7	13.0
- Other (private)	0.3	0.3	0.4	0.6	0.7	0.9	1.1	1.3	1.5	1.8	1.8	2.3	2.8	3.4	4.0	6.0	7.5
2. International financial markets	-	-	-	-	-	-	-	-	-	-	-	0.3	0.6	1.3	2.7	3.6	5.0
3. International organizations	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.1	1.2	1.4	1.6	1.8
4. Centrally-planned economies	-	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.5	0.5	0.6	0.7	0.8	0.8	0.9
5. OPEC countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.4	0.6
6. Other developing countries	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.2	0.2	0.4	0.7	0.9
7. Other and adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2
TOTAL	2.6	2.9	3.1	3.8	4.2	4.9	5.5	6.2	7.1	8.4	9.0	10.6	12.9	15.9	19.8	26.0	32.0
(annual increase %)	-	(12)	(7)	(23)	(11)	(17)	(12)	(13)	(15)	(18)	(7)	(18)	(22)	(23)	(25)	(31)	(23)
of which:																	
- interest	0.6	0.7	0.8	0.9	1.1	1.3	1.5	1.7	1.9	2.4	2.7	3.2	3.8	4.9	6.6	8.9	10.0
- amortization	2.0	2.2	2.3	2.9	3.1	3.6	4.0	4.5	5.2	6.0	6.3	7.4	9.1	11.0	13.2	17.1	22.0

a/ Including intra-developing country debt service.

Note: (p) = provisional

Source: As for Table 1.

Table 5

Total Debt of Developing Countries (Disbursed) at year end and Total Annual Debt Service during 1960 - 1976 by Type of Debt

$ billion

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976(p.)
DEBT																	
1. Bilateral ODA, and IDA-type	5.4	7.0	8.3	10.2	12.2	14.4	16.8	19.7	22.6	25.7	28.7	31.0	33.5	38.0	42.8	51.5	56.8
2. Other international organizations	2.8	3.0	3.2	3.4	3.8	4.0	4.1	4.2	4.5	4.9	5.3	6.1	6.8	7.9	9.3	11.6	13.4
3. Total export credits	7.2	7.9	8.9	10.0	11.5	13.2	15.0	17.2	20.2	23.0	26.0	29.9	31.4	34.3	38.9	49.3	61.5
4. Other (market terms)	2.4	2.9	3.5	4.0	4.7	5.3	6.1	7.0	8.1	9.9	12.0	15.3	20.1	30.9	45.0	59.0	73.5
5. Unallocated	.1	.1	.1	.1	.2	.2	.3	.3	.4	.7	.9	1.0	1.1	1.2	1.2	1.5	1.6
Total Debt	17.9	20.9	24.0	27.7	32.4	37.1	42.2	48.4	55.8	64.2	72.9	83.3	92.9	112.4	137.2	172.9	206.8
DEBT SERVICE																	
1. Bilateral ODA, and IDA-type	.4	.5	.5	.7	.8	.9	1.0	1.0	1.1	1.2	1.4	1.5	1.7	2.0	2.0	2.2	2.6
2. Other international organizations	.2	.3	.3	.4	.4	.5	.5	.6	.6	.7	.8	.9	1.1	1.2	1.4	1.6	1.7
3. Total export credits	1.7	1.7	1.8	2.0	2.2	2.5	2.8	3.2	3.8	4.7	4.9	5.5	6.5	7.7	8.9	11.3	14.0
4. Other (market terms)	.3	.3	.4	.6	.7	.9	1.1	1.3	1.5	1.8	1.8	2.6	3.4	4.8	7.3	10.7	13.5
5. Unallocated	-	.1	.1	.1	.1	.1	.1	.1	.1	-	.1	.1	.2	.2	.2	.2	.2
Total Debt Service	2.6	2.9	3.1	3.8	4.2	4.9	5.5	6.2	7.1	8.4	9.0	10.6	12.9	15.9	19.8	26.0	32.0

Note: (p) = provisional

Source: As for Table 1.

Table 6

Total Debt of Developing Countries (Disbursed) at year-end and Total Annual Debt Service during 1967 - 1976 by Groups of Developing Countries

$ billion

Group		1967	1968	1969	1970	1971	1972	1973	1974	1975	1976 (p)
Least-developed countries	D	1.5	1.7	1.9	2.1	2.4	2.8	3.7	5.0	7.4	9.7
	DS	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.5	0.5	0.6
Most seriously-affected countries	D	13.4	15.3	17.3	18.9	21.6	23.6	27.0	30.8	35.0	40.0
	DS	1.1	1.2	1.4	1.6	1.7	2.0	2.2	2.5	3.0	3.6
1. Poorer countries a/	D	10.7	12.3	13.7	15.0	16.8	18.6	21.1	23.7	27.7	31.4
	DS	0.8	0.8	1.0	1.0	1.1	1.3	1.4	1.7	2.1	2.3
2. Other non-oil developing countries	D	30.9	35.1	40.9	46.2	52.0	57.6	68.9	89.1	116.4	140.8
	DS	5.0	5.7	6.6	7.0	8.0	9.3	11.5	14.1	18.7	23.3
3. Total non-oil developing countries b/	D	41.6	47.4	54.6	61.2	68.8	76.2	90.0	112.8	144.1	172.2
	DS	5.8	6.5	7.6	8.0	9.1	10.6	12.9	15.8	20.8	25.6
4. OPEC countries	D	6.8	8.4	9.6	11.7	14.5	16.7	22.4	24.4	28.8	34.6
	DS	0.4	0.6	0.8	1.0	1.5	2.3	3.0	4.0	5.2	6.4
5. Total developing countries	D	48.4	55.8	64.2	72.9	83.3	92.9	112.4	137.2	172.9	206.8
	DS	6.2	7.1	8.4	9.0	10.6	12.9	15.9	19.8	26.0	32.0

a/ Countries with *per capita* GNP of $265 or less in 1975.

b/ Non-OPEC countries.

Note: D = Debt (disbursed) at year-end
DS = Debt service
(p)= provisional

Source: As for Table 1.

836/1/46

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NEGOTIATIONS ON COMMODITY TRADE

A. Introduction

1. Price and income instability and weaknesses of market structure are the major elements that have characterized commodity trade in the past quarter of a century. Attempts to set up a commodity trade organization or "commodity bank" after the Second World War were unsuccessful; these efforts resulted in the unratified Havana Charter.

2. Primary commodity trade is of special significance to developing countries. It constitutes two-thirds of their total exports (excluding oil) or over 80 per cent if oil is included. Secondly, for most developing countries these exports are concentrated in one or just a few products and are imported by a few industrialized countries. Moreover, most of these commodities have no home base. Thirdly, producers of most of these commodities are pricetakers with little market staying power, while importation of these commodities is often undertaken by a few oligopolies from the industrialized countries with adequate financial power.

3. The above features underscore the significance of commodity trade for these countries. In the first place, commodity trade influences the size of the foreign exchange earnings and hence their balance of payments situation as well as their ability to service external indebtedness. Secondly, it contributes significantly to government revenue. And thirdly, it is an important determinant of the country's level of savings and investment. This means that any persistent weakness in commodity trade must handicap their efforts at development.

4. Commodity trade is also important to the economies of developed countries. Disturbances which interrupt the flow of commodity supplies, which lead to irregular movements in prices or which prevent the orderly expansion of production through the normal process of investment,

can have serious consequences on the economies of the developed countries. This is particularly so of such imported commodities as cobalt, chromium, nickel, copper, rubber, phosphates, etc. The developed countries are not only importers and consumers of commodities but large producers. While they account for about 70 per cent of world imports of non-oil commodities, they also represent 60 per cent of total world exports of such commodities, particularly those of the temperate zone. For many of these, the developed countries have price support programmes which assure minimum incomes to their domestic producers and also influence or determine the international prices of these commodities.

5. The commodity problem of developing countries became more acute in the aftermath of the economic debacle of the early 1970s, viz. the disruption of the international monetary system, the violent onset of severe inflationary pressures, the oil crisis, and the subsequent recession. These developments provided an opportunity to the Chairman of the Fourth Summit Conference of Non-Aligned Countries, held in Algeria in September 1973, to request the Secretary-General that a special UN session be held to discuss the problems of raw materials. The General Assembly adopted at its Sixth Special Session (May 1974) Resolution 3202 (S-VI) which, inter alia, called for "an overall integrated programme setting out guidelines and taking into account the work in the field, for a comprehensive range of commodities of export interest to developing countries". Subsequently, the Dakar Conference of Non-Aligned Countries on Raw Materials (3-8 February 1975) and the UNCTAD Committee on Commodities later that month, examined the issue of an integrated programme for commodities. The Third Ministerial Conference of the Group of 77, held at Manila in early 1976, approved a Programme of Action on an Integrated Programme for Commodities (IPC) that became a major issue for negotiation at UNCTAD IV. It is the substance of these negotiations that will be the focus of this review.

B. IPC Negotiations at UNCTAD IV

6. The IPC is a new approach to international commodity policy in that it envisages the negotiation of individual commodity arrangements cemented by a Common Fund aimed at stabilizing and strengthening the markets for a broad range of commodities so that on balance the majority of the developing countries would benefit within a common framework of principles, procedures and time-frame. The new features of this approach are its integrated nature (including coverage) and its concern with strengthening markets. The IPC, however, accepts and is indeed founded on the principle of consumer-producer co-operation.

7. The basic elements of the IPC that underlay subsequent debate were:

(a) whether it (and particularly the Common Fund) would wield powers of intervention in commodity markets;

(b) whether it would imply a sharing of costs of stabilization between producers and consumers;

(c) whether stabilization in the IPC framework implied "indexation"; and

(d) the nature of the Common Fund.

8. Resolution 93 (IV) that was adopted in Nairobi at the end of UNCTAD IV (May 1976) left many of these issues unresolved, but suggested a framework for future negotiations in the form of a timetable to negotiate individual commodity arrangements in a single exercise and a timetable to convene a negotiating conference on the Common Fund preceded by preparatory meetings.

C. Negotiating a Common Fund

9. Three preparatory meetings were held in Geneva: 29 November-4 December 1976, 24-28 January 1977, and 21 February-1 March 1977. These meetings did not produce an agreed text for negotiation by the Plenipotentiary Negotiating Conference on a Common Fund that was held in Geneva from 7 March to 2 April 1977.

10. The key issues that were addressed by the March Negotiating Conference were:

(a) financing - sources, relationship with international commodity organizations (ICOs), financial requirements and financial structure;

(b) stocking and "other measures", i.e. diversification, productivity improvement, market surveys, research and development, and improvements in transport, marketing and distribution of commodities, in support of stocking activities or for commodities which cannot benefit from stocking;

(c) membership, organizational structure and decision-making process and voting.

There was little consensus on most of these issues other than the agreement that the Common Fund must be financially viable, that it must respect the autonomy of ICOs and that its financing of other measures must not imply that the Common Fund would replace existing sources of financing. The basic questions were not agreed upon since the issue of principle i.e. the decision to establish a Common Fund, had not been resolved. The Conference, therefore, ended without agreement on establishing a Common Fund, its nature, modalities and operations, but agreement was secured to reconvene the Conference in November 1977.

11. At CIEC in Paris, the problem of IPC was discussed and at the Ministerial Meeting in early June 1977 it was agreed that a Common Fund should be established as "a new entity that will play a key role in attaining the agreed objectives of the IPC". This decision was supported by the Commonwealth Heads of Government who met in London in mid-June 1977, and endorsed by the Ministers of OECD countries meeting on 23-24 June 1977.

12. The reconvened Negotiating Conference on the Common Fund (November 1977) began its work and concentrated on the following areas:

(a) the relationship between the Common Fund and the existing and future ICOs;

(b) the sources of equity funds and the capital structure, including the issue of government-assessed contributions;

(c) whether the Common Fund should finance "other measures";

(d) sharing costs of stabilization between consumers and producers;

(e) decision-making and voting rights in the Common Fund: the proposal that voting and decision-making should not be tied to capital subscriptions alone but that a judicious balance between the principle of equality and proportionality must be invoked to ensure a decisive role for the developing countries.

C.1. Position of Developing Countries (Group of 77)

13. The Group of 77 expressed its desire to have a Common Fund that is a "source" of finance i.e. a Fund with a large part of its equity derived from assessed government contributions. Such a Fund would facilitate the conclusions of new international commodity agreements (ICAs), would provide incentives to encourage participation of all ICAs, would guarantee global solidarity and would ensure sharing of costs between consumers and producers. They wanted a Fund that would finance "other measures", i.e. apart from stocking as defined above. They also wanted a Fund with a decision-making structure that would ensure their decisive role. The full text of the position of the Group of 77 is attached as Appendix A. They were supported by China in all these proposals.

C.2. Position of Developed Market Economy Countries (Group B)

14. Group B countries wanted a Fund that would only support buffer stock financing through ICAs (i.e. they did not want to finance "other measures"), that would have its equity base from the deposits of ICAs (75 per cent of their cash). Thus, the Common Fund would be a

function of the already established commodity agreements rather than playing a catalytic role in promoting new agreements. The full text of the position of Group B is attached as Appendix B.

C.3. The Results of the Negotiating Conference

15. By the time the decision to suspend the November Conference was taken, it was clear that the broad issues dividing the Group of 77 and Group B had not been resolved. There was only one major formal departure from the position of Group B and that is on the sharing of costs of stabilization between the consumers and producers. In his summary statement to the Plenary on 1 December 1977, the spokesman of Group B noted that "a commitment on the joint responsibility of producers and consumers for buffer stock financing in the international commodity agreements was a key element in their thinking" - and Group B for its part "had made clear that any such commitment would be directly linked to its own proposal for a Fund based on international commodity agreements". The financing of ICAs was not discussed and it was therefore not entirely clear whether the spokesman's statement implied a major change in the existing practice whereby the burden of stocking is effectively borne by the producing countries.

16. As was pointed out by the spokesman of Group B in his summary statement to the Plenary on 1 December 1977, there is a considerable range of views within Group B on the basic issues of the Common Fund, including views closely aligned to those of the Group of 77. Indeed, Norway, Sweden, Finland, Denmark and The Netherlands indicated their support for a Common Fund that would finance "other measures", and would have the major source of its funds from government-assessed contributions. The Netherlands even pledged $25 million to the Common Fund.[1/] Other developed countries expressed reservations.

17. The Group of 77 felt, however, that the Group B proposal could not lead to a Fund that would play a key role in the IPC as envisaged both at Nairobi and at Paris. In the words of the spokesman for the Group of 77, "How could (Group B's proposal) provide an impetus for the successful conclusion of future commodity negotiations?... Could it, without directly assessed contributions to it by every member of the international community, become an effective and universal institution?"

18. After the suspension of the Conference, the issue was brought before the 32nd Session of the United Nations. The General Assembly adopted in December 1977 Resolution 32/193 which calls on the countries

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[1/] Pledges by several other countries had been made at UNCTAD IV in Nairobi (The Philippines $50 million, India $25 million, Indonesia $25 million, Norway $25 million, Yugoslavia $30 million, and Kenya - no less than $1 million).

which have not yet done so to take the necessary political decisions on the basic elements of the Common Fund which would enable a resumption of the negotiations and asks the UNCTAD Secretary General to consult with the parties about a possible resumption in early 1978.

D. Negotiations on Individual Commodities

19. Resolution 93 (IV) adopted by UNCTAD IV at Nairobi (May 1976) called for a negotiating conference on the Common Fund as well as negotiations on individual commodity arrangements in a single exercise.

20. Since the adoption of the above resolution, only one international commodity agreement (sugar) has been concluded. Its negotiation, however, was not in response to the above resolution: discussions had been going on for some time to replace the old sugar agreement. However, Article 55 of the International Sugar Agreement 1977 provides for a possible future relationship with the Common Fund.

21. A number of preparatory meetings have been held under resolution 93 (IV) in the case of copper, iron ore, jute and jute products, rubber, tropical timber, hard fibres and phosphates. In no case, however, has the formal decision been taken to move to the negotiating stage and, as of this review, there is no indication when that stage might be reached for any single commodity, except perhaps for rubber. This means that the preparatory phase of the IPC is not likely to be completed within the timetable set out in resolution 93 (IV), which laid down that preparatory meetings should complete their work no later than February 1978. The Ad Hoc Inter-governmental Committee for the Integrated Programme for Commodities (a Committee of the Trade and Development Board) agreed at its fourth session (12-15 December 1977) to extend the period of the preparatory phase. A brief individual commodity review follows.

22. Copper - Three preparatory meetings and five meetings of the Inter-governmental Group of Experts have been held. At the Third Preparatory Meeting (30 January to 3 February 1978) no progress was made to identify the possible economic elements of an international copper agreement. The Third Preparatory Meeting agreed to recommend formally the establishment of a standing inter-governmental copper body as part of the continuing programme of work under the Integrated Programme for Commodities. The results of the group's work will be placed before the Fourth Preparatory Meeting on Copper scheduled for May 1978.

23. Jute and Jute Products - Four preparatory meetings have been held. At the Fourth Preparatory Meeting (11-15 July 1977) it was decided to establish an Inter-governmental Working Group to finalise recommendations on the measures on which further agreement could be reached and to prepare draft proposals on the elements of an international arrangement or arrangements. The First Inter-governmental Working Group was

held on 16-21 January 1978. The meeting discussed the elements of an international arrangement, viz stabilization, harmonization with synthetics, research and development, market promotion and cost reduction. On stabilization, some consuming countries indicated that they were considering a concrete scheme for financing export raw jute stocks in Bangladesh, but not stocks of jute products or other raw jute. On research and development, consuming countries submitted a paper that will be discussed at the next preparatory meeting to be held on 10-14 April 1978.

24. Rubber - Two preparatory meetings and two sessions of the Inter-governmental Task Force have been held. At the last session of the Inter-governmental Task Force on Rubber (6-9 December 1977) it was agreed that the Third Preparatory Meeting on Rubber to be held on 27 February-3 March 1978, should take a formal decision with regard to the negotiation of an international agreement to stabilize natural rubber prices. The Task Force recommended that an international buffer stock be the central element of a price stabilization agreement. As a contingency measure, the operation of this buffer stock would, as and when necessary, be supported by supply rationalization measures, i.e. production management and possibly export quotas.

25. Tropical Timber - Three preparatory meetings have been held, the last one was convened on 23-27 January 1978. At this meeting it was agreed to undertake a work programme that would provide the basis for discussion on a possible integrated arrangement on tropical timber. The approved work programme includes further analysis of the degree, characteristics and causes of instability in the markets and the identification of appropriate measures and techniques. The next Preparatory Meeting on Tropical Timber is scheduled for 17-21 April 1978.

26. Hard Fibres - Three preparatory meetings have been held. At the last meeting (16-20 January 1978) it was agreed to set up working groups to examine the feasibility of stabilization for sisal and henequen, coir and abaca respectively.

27. Tea - The First Preparatory Meeting on Tea was held on 9-13 January 1978. It was agreed to transfer the work on tea from FAO to UNCTAD. The Second Preparatory Meeting is scheduled for 10-14 April 1978.

28. Phosphates - The Preparatory Meeting on Phosphates (5-9 December 1977) recommended that arrangements be made for its work to be continued at the level of governmental experts; the purposes of which would be to examine the situation and problems of the world phosphate market and initiate the collection and analysis of relevant information. The Second Preparatory Meeting is scheduled for 29 May-2 June.

E. Concluding Remarks

30. There has so far been little effective negotiation on the Integrated Programme for Commodities. The first part of the Negotiating Conference on the Common Fund (March 1977) took place before a political decision to establish a Common Fund by some of the participants was taken. Progress in the second part of the Negotiating Conference (November 1977) was inhibited by the fact that some members of Group B were still searching for an appropriate framework for the negotiations. Progress in individual commodity has been extremely slow.

NEGOTIATION OF A COMMON FUND PURSUANT TO CONFERENCE RESOLUTION 93(IV)
ON THE INTEGRATED PROGRAMME FOR COMMODITIES

Elements of an international agreement on the Common Fund

Position paper submitted by Yugoslavia on behalf of the Group of 77 1/

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UNDER THE INTEGRATED PROGRAMME FOR COMMODITIES
Geneva, 7 November 1977
Agenda item 9

NEGOTIATION OF A COMMON FUND PURSUANT TO CONFERENCE RESOLUTION 93 (IV) ON THE INTEGRATED PROGRAMME FOR COMMODITIES

Elements of an international agreement on the Common Fund

Position paper 1/ submitted by Yugoslavia on behalf of the Group of 77

Preamble

Recalling the Declaration and the Programme of Action on the Establishment of a New International Economic Order 2/ as well as the Charter of Economic Rights and Duties of States 3/ which lay down the foundations of the New International Economic Order,

Recalling UNCTAD resolution 93 (IV) on the Integrated Programme for Commodities,

Affirming the importance to both producers and consumers, notably the developing countries, of commodity exports for foreign exchange earnings and of commodity imports for economic development,

Recognizing the need for improved forms of international co-operation in the field of commodities,

Recalling the proposal in the Manila Declaration and Programme of Action for the establishment of a common fund for the financing of international commodity stocks, co-ordinated national stocks or other necessary measures within the framework of commodity arrangements,

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1/ One delegation stated that it had to reserve its position on the entire text of this document.

2/ General Assembly resolution 3201 (S-VI) and 3202 (S-VI) of 1 May 1974.

3/ General Assembly resolution 3281 (XXIX) of 12 December 1974.

Conscious that such a common fund constitutes the central and integrating element providing operational strength to the Integrated Programme for Commodities as a whole, linking the interests of producers and consumers on a wide range of commodities of particular importance to the developing countries,

Considering that the establishment of the Common Fund could contribute to a co-ordinated approach towards an international commodity policy,

Considering that the operations of the Common Fund should be more economical than a series of funds for individual commodities,

Considering that the availability of finance through the Common Fund would allow the negotiation of international commodity arrangements envisaged in the Integrated Programme to go forward unhampered by the financial constraints ncountered in the earlier fragmentary approaches to commodity problems,

Convinced that the Common Fund would impart a new dynamism to efforts to restructure world commodity trade, to diversify production and expand processing of primary products in developing countries with a view to promoting their accelerated industrialization and increasing their export earnings,

Convinced that the Common Fund will contribute to the achievment of greater equity and rationality in the economic relationship between developing and developed countries and producers and consumers of commodities and, thus, become an important means for the realization of the New International Economic Order,

The Contracting Parties have agreed to establish the Common Fund within the framework of the Integrated Programme for Commodities which shall be governed by the following Articles of Agreement:

I. - OBJECTIVES AND PURPOSES

1. The fundamental aim of the Common Fund shall be to serve as the main instrument for attaining the objectives of the Integrated Programme for Commodities embodied in Conference resolution 93 (IV), section I.

2. The Common Fund, as the central source of finance, shall serve the following specific objectives and purposes:

(a) to finance international commodity stocks and/or internationally co-ordinated national stocks within the framework of international commodity arrangements;

(b) to finance, within the framework of international commodity arrangements, the necessary measures for perishable and other commodities whose problems cannot be adequately solved by stocking and which experience a persistent price decline. Such measures may include those indicated in (c) below;

(c) to finance other necessary measures within the framework of international commodity arrangements. Such measures, to be undertaken alone or in addition to and in support of stocking activities, may include diversification, productivity improvement, market promotion, research and development, and improvements in the transport, marketing and distribution of commodities with greater participation of developing countries;

(d) to finance, at the request of developing producing countries members of an international commodity arrangement, measures not provided for in such an international commodity arrangement, but within the scope of the Fund, for commodities facing difficulties subject to satisfactory arrangements with the international commodity organization concerned and in accordance with the criteria and rules established by the Fund for such specific financing;

(e) to finance, at the request of developing producing countries, stocks and/or other measures when considered appropriate by the Fund for commodities facing difficulties and for which there is no existing commodity arrangement, subject to the criteria and rules established by the Fund for such specific financing. Such measures may include those indicated in paragraph (c) above;

(f) to facilitate the setting up of international commodity arrangements of particular interest to developing countries and thereby play a role as an instrument for the establishment of the New International Economic Order.

3. In attaining these objectives, the Common Fund should take into account the interests of the least developed among the developing countries through appropriate measures as indicated in resolution 93(IV), section III, para. 4.

4. In attaining these objectives, the Common Fund should also take into account the interests of the developing importing countries if adversely affected through appropriate measures as indicated in resolution 93(IV), section III, para. 5.

II. MODES OF OPERATION

A. General provisions

5. The resources and facilities of the Fund shall be used to achieve the objectives and purposes specified in section I above.

6. The modes of operation of the Fund shall be in keeping with the relevant provisions of Conference resolution 93(IV), including the provisions contained in section III thereof.

7. The Fund shall function as a financially viable institution and shall ensure an overall net income from its operations. The Fund management shall utilize any net surplus created by its operations in furtherance of its objectives and purposes.

8. As a general rule, the Fund shall act as a financing agency and extend loans to commodity organizations. It may, however, when appropriate, finance stocks and/or other measures for commodities facing difficulties and for which there is no existing commodity arrangement or for which such measures are not provided for in international commodity arrangements, in accordance with the provisions contained in paragraphs 22 and 23 below.

9. The main function of the Common Fund will be the financing of buffer stocks. Another function will be the financing of other necessary measures as provided for under section I above (Objectives and purposes). For these purposes, the Fund shall establish separate accounts, maintaining an adequate proportion between these accounts consistent with the economic viability of the Fund.

10. The Fund shall apply criteria for providing loans consistent with the objectives and principles of the Fund, without interfering in the policy and operational decisions of the commodity organizations.

11. The interest rate on the loans extended by the Fund shall be set at as low a level as is compatible with the ability of the Fund to borrow at a reasonable cost and with the maintenance of its financial viability.

12. In its operations and within its sphere of competence the Fund shall give special consideration to the protection of the interests of developing importing countries, particularly the least developed and most seriously affected among them and those lacking in natural resources, if adversely affected by measures under the Integrated Programme for Commodities, by means of appropriate measures as envisaged within that Programme.

13. In determining the amount of financing to be extended, the Fund shall take into account the need for avoiding a disproportionate amount of the Fund's total resources being used for the benefit of a single commodity and for ensuring that a reasonable amount is available for each commodity covered by the Fund.

B. International buffer stocks

14. The commodity organizations seeking loans from the Fund shall enter into agreements or stand-by arrangements with the Fund specifying the amounts and the terms and conditions of financing in accordance with the general criteria established by the Fund for assessing the requests for loans submitted to it.

15. The resources made available by the Fund to the commodity organizations shall be used exclusively for the financing of stocks of the commodities concerned, and the returns from the sales of such commodities shall be utilized to repay the outstanding loans under the agreed conditions for repayment.

16. In determining the amount of loans to be extended to commodity organizations, the Fund shall take into account the need for avoiding a disproportionate amount of the Fund's total resources being used for the benefit of a single commodity arrangement and for ensuring that a minimum amount, as determined by the Fund, shall be available to individual commodity organizations as and when required.

C. Internationally co-ordinated national stocks

17. The provisions of sub-section B above shall also apply, as appropriate, to loans extended by the Fund to commodity organizations for financing co-ordinated national stocks.

18. The provision of such loans shall be in accordance with the criteria mentioned in paragraph 10 above.

19. The Fund shall satisfy itself with the procedures of the commodity organization concerned with regard to matters such as the establishment, maintenance and replenishment of stocks, and with the provisions to ensure that the commitments of the participants are being met.

D. Measures other than stocking

20. The Fund shall finance measures other than stocking within the framework of international commodity arrangements, except in the circumstances referred to under sub-section E below. For this purpose the Fund shall enter into a loan agreement with the commodity organization concerned in accordance with general guidelines established by the Fund to ensure that such measures are consistent with the objectives and purposes of the Fund.

21. The Fund may also extend loans directly to member States to finance such measures, on the recommendation and sponsorship of the commodity organization concerned. In such cases, the Fund shall enter into a loan agreement with the recipient State in accordance with the general guidelines established by it.

E. Measures not provided for in international commodity arrangements or outside the framework of such arrangements

22. The financing, at the request of developing producing countries members of an international commodity arrangement, of measures not provided for in a particular international commodity arrangement but within the scope of the Fund for

commodities facing difficulties shall be through loans subject to satisfactory arrangements with the international commodity organization concerned and in accordance with the criteria and rules established by the Fund for such specific financing.

23. Financing of stocks and/or other measures considered appropriate by the Fund for commodities facing difficulties and for which there is no existing commodity arrangement shall be through loans subject to the criteria and rules established by the Fund for such specific financing. The financing for such measures should be made available by special provision to be decided upon by the Fund for this purpose.

III. SOURCES OF FINANCE AND CAPITAL STRUCTURE

24. The Fund shall mobilize the necessary resources from member countries, international organizations and the capital markets in the form of contributions to its subscribed capital, loans, grants or in any other form it deems appropriate to achieve its purposes and fulfil its functions.

25. The financial resources of the Fund shall consist of:

(a) Capital subscriptions of member countries to the Fund's authorized capital;

(b) Voluntary contributions;

(c) Borrowing;

(d) Net earnings derived from its operations.

26. In the initial phase of its operation, the Fund shall have a subscribed capital equivalent to US $1 billion and the authority to borrow up to US $2 billion. The Fund may also avail itself of any voluntary contributions made to it.

27. Payments to the initial subscription capital shall be completed according to the schedule contained in the Annex to this Agreement.

28. Provision shall be made for additional resources, as and when required, in the form of subscribed capital up to the equivalent of US $1 billion and borrowing according to actual requirements, but not exceeding US $2 billion.

29. The Fund's subscribed capital shall be divided into the following categories:

(a) An amount equivalent to US $..... to be subscribed by each and every member country of the Fund;

(b) Capital subscribed on the basis of quotas assigned to each country, according to criteria and formulae to be decided and agreed upon.

30. In respect of payment of subscriptions special measures shall be taken to accommodate the needs of the least developed among the developing countries. These may include, inter alia, partial or total exemption from payment of assessed subscriptions or from payment of these subscriptions in convertible currencies.

31. In respect of forms and modalities of payment of assessed capital subscriptions under paragraph 29(b) above, consideration may be given by the Fund, if so requested, to the particular individual situation of developing countries facing serious balance-of-payments difficulties.

32. Payments of subscriptions shall be made in convertible currencies, except for and in so far as special arrangements are being made for least developed and other developing member countries in conformity with paragraphs 30 and 31 above.

33. The Fund may accept payments to be made by member countries from their contributions to existing international commodity organizations or arrangements, in accordance with the established procedures of, and decisions taken by, these organizations or arrangements. Such payments could be used to count against the subscriptions shares of the countries concerned or could constitute a loan or a voluntary contribution as appropriate.

34. The Fund shall be authorized to borrow from member countries, international organizations and the capital market such amounts and at such terms as may be decided upon by the management in accordance with paragraph 26 above.

35. The Fund shall provide for guarantees to its lenders, for example, in the form of callable capital or of pledges of its assets.

IV. ORGANIZATION AND MANAGEMENT

36. Structure of the Fund

The Fund shall have a Board of Governors, an Executive Council (consisting of Executive Directors), a Managing Director and such other staff as may be necessary for the Fund to carry out its functions.

37. Board of Governors

(a) The Board of Governors shall be composed of one Governor and one alternate appointed by each member.

(b) All the powers of the Fund shall be vested in the Board of Governors which shall be responsible for the policy determination and direction of the Fund.

(c) The Board of Governors may adopt such regulations and by-laws as may be appropriate to conduct the business of the Fund, including the election of its officers from among them; such regulations and by-laws shall not be inconsistent with this Agreement.

(d) The Board of Governors may delegate any of its powers to the Executive Council with the exception of the power to:

(i) determine and direct policy of the Fund;

(ii) adopt amendments to this Agreement;

(iii) approve membership;

(iv) suspend membership;

(v) interpret this Agreement;

(vi) increase or decrease the capital stock;

(vii) terminate the operations of the Fund;

(viii) decide appeals by members on decisions made by the Executive Council concerning the application of this Agreement.

(e) The Board of Governors shall also decide on any recommendation which the Executive Council may present with regard to the interpretation of this Agreement and amendments thereto.

(f) The Board of Governors shall hold an annual session, and such special sessions as it may decide, or as are called by members having a simple majority of the total number of votes in the Board of Governors, or as requested by the Executive Council.

(g) A quorum for any meeting of the Board of Governors shall be constituted by [2/3rd] of its membership.

38. Voting in the Board of Governors

(a) The total number of votes in the Board of Governors shall be distributed among members in accordance with the formula set out in Schedule .... to this Agreement.

(b) Except as otherwise specifically provided in this Agreement, decisions of the Board of Governors shall be taken by a simple majority of the total number of votes cast.

(c) The alternate Governor may vote only in the absence of the Governor.

39. Executive Council

(a) The Executive Council shall be responsible for the operations of the Fund within the policy framework set by the Board of Governors and shall exercise the powers delegated to it by the Board of Governors.

(b) The Executive Council shall be composed of [number] Executive Directors, elected at the annual session of the Board of Governors according to the schedule provided in Annex ... Each Executive Director may have an alternate.

(c) The composition of the Council should ensure adequate representation of developing countries, equitable geographical distribution and an appropriate reflection of all interests.

(d) The executive heads of Councils of the international commodity agreements associated with the Fund shall participate in an ex-officio capacity and without the right to vote in the deliberations of the Executive Council.

(e) Members of the Executive Council shall serve for a term of [3 years].

(f) The Executive Council shall meet as often as the business of the Fund shall require.

(g) A quorum for any meeting of the Executive Council shall be constituted by [2/3rd] of its membership.

40. Voting in the Executive Council

(a) The system of voting in the Executive Council shall be decided in accordance with the formula set out in Schedule .... to this Agreement.

(b) Except as otherwise specifically provided in this Agreement, decisions of the Executive Council shall be taken by a simple majority of the total number of votes cast.

(c) The alternate Executive Director may vote only in the absence of the Executive Director.

41. Managing Director

(a) The Board of Governors shall appoint the Managing Director by a qualified majority of the total number of votes. The Managing Director shall be appointed for a term of [3 years] and shall be eligible for re-appointment for only one further term. The appointment of the Managing Director may be terminated by the Board of Governors by a qualified majority of the total number of votes.

(b) The Managing Director shall be the chief executive of the Fund.

(c) The Managing Director shall appoint the staff of the Fund, pursuant to staff regulations approved by the Executive Council. In appointing staff, he shall, subject to the necessity of securing the highest standard of efficiency, pay due regard to the principle of equitable geographical distribution at all levels.

(d) The Managing Director shall serve ex-officio as Chairman of the Executive Council and shall conduct the ordinary business of the Fund under the direction of the Executive Council and without the right to vote.

(e) The Managing Director shall be the legal representative of the Fund.

V. MEMBERSHIP

42. Eligibility. Membership in the Fund shall be open to States members of the United Nations or its specialized agencies, or of the IAEA.

43. Members shall be those States which having signed this Agreement to establish the Fund, deposit instruments of ratification, acceptance or approval, and those States which accede to this Agreement after it has entered into force and after approval of their membership by the Board of Governors of the Fund.

44. Liability. The liability of the members of the Fund shall be limited to their obligations under Articles . . . . .

VI. WITHDRAWAL

45. A member may withdraw from the Fund at any time by transmitting a notice in writing to the Fund, and subject to the lapse of a one-year period.

VII. SUSPENSION OF MEMBERSHIP

46. (a) If a member fails to fulfil its financial obligations or any of its fundamental obligations to the Fund, the Board of Governors may, by a qualified majority of the total number of votes, suspend its membership. The member shall automatically cease to be a member one year after the date of its suspension, unless the Board decides otherwise.

(b) While under suspension, such a member shall not be entitled to exercise any rights under this Agreement except the right of withdrawal, but shall remain subject to all of its obligations.

VIII. SETTLEMENT OF ACCOUNTS WITH STATES CEASING TO BE MEMBERS

47. (a) If a State ceases to be a member, it shall remain liable for its outstanding financial obligations to the Fund wheth r as member borrower or otherwise.

(b) At the time a State ceases to be a member, the Fund would arrange for the repurchase of its shares at their book value provided any amount due to the State from such repurchase may be applied by the Fund to any liability outstanding to it from that State.

IX. STATUS, PRIVILEGES AND IMMUNITIES

48. Legal status of the Fund. The Fund shall possess full juridical personality, and, in particular, the capacity

(i) to conclude contracts;

(ii) to acquire and dispose of immovable and movable property; and

(iii) to institute legal proceedings.

49. Privileges and immunities

(a) The Managing Director, on behalf of the Fund, shall be authorized to reach agreement with the Government of the host country on the régime of privileges and immunities to be accorded to the Fund, subject to the approval of the Board of Governors and taking into account the points set out in sub-paragraph (b) below.

(b) The Fund, its property and assets, wherever located and by whomsoever held in Member countries, shall be governed with respect to privileges and immunities by the following principles:

(i) Immunity from every form of judicial process except to the extent that the Fund expressly waives its immunity for the purpose of any proceedings or by the terms of any contract;

(ii) Property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, expropriation or any form of seizure by executive or legislative action;

(iii) The archives of the Fund shall be inviolable;

(iv) To the extent necessary to carry out the operations provided for in this Agreement, all property and assets of the Fund shall be free from restrictions, regulations, controls and moratoria of any nature;

(v) The official communications of the Fund shall be accorded by members the same treatment as the official communications of other members;

(vi) (a) The Fund, its assets, property, income and its operations authorized by this Agreement shall be immune from all taxation and duties. The Fund shall also be immune from liability for the collection or payment of any tax or duty;

(b) No taxation of any kind shall be levied on any obligation or security issued by the Fund, including any dividend or interest thereon, by whomsoever held,

(1) which discriminates against such obligations or security solely because of its origin; or

(2) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Fund;

(vii) All Governors, Executive Directors, officers and employees of the Fund shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity;

(viii) Each member shall take such action as is necessary in its own territory for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Fund of the detailed action which it has taken.

X. AMENDMENTS

50. Any proposal to amend this Agreement made by a Member or by the Executive Council shall be communicated to the Managing Director who shall notify all Members. The Managing Director shall refer proposals to amend this Agreement made by a Member to the Executive Council, which shall submit its recommendations thereon to the Board of Governors.

51. Amendments shall be adopted by the Board of Governors by a four-fifths majority of the total number of votes, except that any amendment modifying;

(i) the right to withdraw from the Fund;

(ii) the voting majority requirements provided for in this Agreement;

(iii) the procedure for amending this Agreement;

shall be adopted unanimously. Amendments shall enter into force three months after their adoption.

52. The Managing Director shall immediately notify all Members and the Depositary of any amendments that are adopted and of the date of entry into force of any such amendments.

XI. TERMINATION OF OPERATIONS AND DISTRIBUTION OF ASSETS

53. The Fund's operations could be terminated by the Board of Governors by a specified majority of the total number of votes; the Fund would then cease all of its activities, except those incidental to the orderly realization and conservation of its assets and the settlement of its obligations. Until final settlement of its obligations and the distribution of assets, the Fund would remain in existence and all rights and obligations of the Fund and its members under this Agreement would continue unimpaired, except that no member could be suspended or could withdraw.

54. All creditors of the Fund holding direct claims would be paid out of the assets of the Fund before the distribution of assets is made to members on the basis of their subscriptions, and in the ratio of each suscription to the capital stock of the Fund.

ANNEX

Basis for the schedule of payments

Payments to the initial subscription capital of $1 billion shall be made by each member country according to the following schedule:

1. A minimum equal amount equivalent to [$200,000] to be subscribed by each and every member of the Fund and paid-in upon entry into force of the agreement establishing the Common Fund. This category of contributions would reflect the equal commitment to, and participation in, the Fund of all countries.

2. An amount to be subscribed on the basis of quotas assigned to each country according to the formula used by the United Nations Committee on Contributions but with certain modifications to be further agreed upon, taking into account the interests of developing countries. This category of contributions shall be paid-in upon entry into force of the agreement establishing the Common Fund.

3. An amount to be subscribed on the basis of quotas assigned to each country according to its share, either as exporter or importer, in international trade in commodities, excluding petroleum, as these shall be subsequently defined. This amount shall be paid-in according to a formula to be further agreed upon, taking into account the character of the Common Fund as a central source of finance.

4. This does not in any way preclude the acceptance by the Fund of any voluntary contribution member countries may wish to make to it above and beyond their assessed contributions under paragraphs 1-3 above.

5. The schedule of payments for any additional subscribed capital, as an when required, up to the equivalent of US$1 billion, shall be worked out by the Fund management in due time.

836/1/45

The Independent Commission on
International Development Issues

Second Meeting
10-12 March 1978

Secretariat Paper 1
Supplement 2
Appendix B

10 February 1978

NEGOTIATION OF A COMMON FUND PURSUANT TO CONFERENCE RESOLUTION 93(IV)
ON THE INTEGRATED PROGRAMME FOR COMMODITIES

Elements for the basis of a Common Fund

Proposal submitted by countries members of Group B 1/

1/ Source: UNCTAD, United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities, Geneva, 7 November 1977, Agenda item 9 (TD/IPC/CF/CONF/L.5).

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UNDER THE INTEGRATED PROGRAMME FOR COMMODITIES
Second session
Geneva, 7 November 1977
Agenda item 9

NEGOTIATION OF A COMMON FUND PURSUANT TO CONFERENCE RESOLUTION 93 (IV) ON THE INTEGRATED PROGRAMME FOR COMMODITIES

Elements for the basis of a Common Fund

Proposal submitted by countries members of Group B

INTRODUCTION

1. Negotiations on a common fund have resumed in the light of the agreement reached at the Conference on International Economic Co-operation that:

> "A Common Fund should be established as a new entity to serve as a key instrument in attaining the agreed objectives of the Integrated Programme for Commodities as embodied in UNCTAD Resolution 93 (IV)" and that "the specific purposes and objectives of a Common Fund, as well as its other constituent elements, will continue to be negotiated in UNCTAD."

2. The purpose of the resumed negotiations should be to give practical effect to this commitment, by achieving consensus on the elements of a Common Fund which will be economically and financially viable, effective and acceptable to a wide range of developed and developing countries.

3. This paper should be read in conjunction with the paper (TD/IPC/CF/CONF/L.3) submitted by Group B at the first session of the conference in March. */

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*/ Reproduced in TD/IPC/CF/CONF/8, annex II.

OBJECTIVES AND PURPOSES

4. A Common Fund would function as a key instrument in attaining the agreed objectives of the Integrated Programme, by serving the following objectives and purposes:

(a) to facilitate the financing of buffer stocks operated by international commodity agreements (ICAs) negotiated by producers and consumers by:

(i) reducing the total financial resources which countries members of ICAs themselves have to mobilize; and

(ii) minimizing the overall costs of raising the financial resources required for buffer stocking; and thereby

(b) to facilitate the setting up of international commodity arrangements, particularly those covering commodities of special interest to developing countries.

5. The ICAs will establish the price ranges required to achieve their objectives and will set upper limits on the size of buffer stocks on which will depend their maximum financial requirements (MFR). The ICAs should have primary responsibility for the necessary financing. They should be exclusively responsible for operations in commodity markets.

MODES OF OPERATION

A. General Provisions

6. The Fund should be based on a pattern of mutual assistance between ICAs. Its modes of operation and its financial structure should be designed to achieve the objectives specified above.

7. The Fund should function as a financially viable institution.

8. The Fund should not attempt to interfere in the policy and operational decisions of the commodity organizations.

B. International Buffer Stocks

9. The Fund should extend credits to international commodity agreements in support of buffer stocking operations.

(i) Deposits. Each ICA associated with the Fund should accept an obligation to deposit in cash with the Fund a significant percentage of its MFR (i.e. of the financial resources necessary to create the stock provided for in the agreement in question), when such finance was not needed for stock purchases.

The normal requirement should be for ICAs to deposit 75 per cent of the MFR.

The ICAs deposits should earn an interest rate close to market rates.

(ii) Drawing Rights. In return for the deposit obligation, ICAs should have a guaranteed drawing right on the Common Fund, over and above the withdrawal of the sums deposited. This should be set at a level related to the level of the deposit.

The normal level of credit should be 25 per cent of the MFR.

Credits drawn by ICAs should be available only for stock purchases in accordance with the terms of the agreements concerned: and should be adequately secured.

The ICAs should pay on credit drawings an interest rate close to market rates.

C. Sources of Finance

10. Offsetting movements in the prices of commodities covered by ICAs associated with the Fund - by balancing the financial operation connected with the formation and liquidation of stocks - will enable the Fund to use deposits from ICAs in financial surplus to finance credits to ICAs making stock purchases.

11. In addition, if drawings on the Fund were to exceed the total financial resources deposited with it by the ICAs, the Fund should be able to call on financial resources over and above cash deposits from the ICAs. These resources should be subject to a ceiling related to the ICAs total drawing rights.

12. The Fund should obtain such financial resources by borrowing on the market. Its borrowing should be secured against:

(i) warrants on commodity stocks held by the ICAs. (The use of such warrants as security for the Fund's borrowing should in no way prejudice the autonomy of the ICAs in managing their buffer stocks).

(ii) Government guarantees or callable capital. Such guarantees or callable capital should be given to the Fund through the ICAs by their member governments. It is recognized that these arrangements have implications for the responsibilities of producers and consumers in providing, within the framework of the ICAs, for their necessary financial arrangements.

(iii) It would be for the existing international financial institutions, such as the World Bank, to consider whether they would be able and would wish to undertake a role in support of the Fund's borrowing.

D. Internationally Co-ordinated National Stocks

13. It will be for consideration whether the Fund might have a role in respect of ICAs which provide for internationally co-ordinated nationally held stocks.

E. Measures other than Stocking

14. Measures other than buffer stocking have an important role in terms both of commodity policy and of the development process: and are especially relevant to the poorest countries and to commodities in a persistently weak market situation. Group B will be prepared to examine further with other Groups whether there are deficiencies in existing international arrangements for the support of "other measures", and what improvements, if any, might be needed in these arrangements including any possible role for the Common Fund.

MEMBERSHIP ORGANIZATION AND MANAGEMENT

15. Final decisions on such issues as Fund membership, decision-making procedures and voting rights will only be possible when the Fund's financial structure has been further clarified in negotiation.

16. The allocation of votes and the decision-making procedure should ensure a satisfactory balance between the various financial and economic interests involved, and should adequately safeguard the interests both of commodity producers and consumers whether developing or developed.

17. Fund management might be undertaken by:

(i) a small professional secretariat;

(ii) an executive board, to which oversight of the Secretariat and management responsibility would be delegated and which would be elected by:

(iii) the Fund's plenary forum, on which all members of the Fund would have appropriate representation.

18. Relations between the Fund and the ICAs and the Fund's borrowing operations, should be defined in precise statutory rules which should be applied automatically.

836/7/44

The Independent Commission on International Development Issues

Second Meeting
10-12 March 1978

Secretariat Paper 1
Supplement 3

10 February 1978

NEGOTIATIONS ON INTERNATIONAL MONETARY REFORM

A. Introduction

1. International monetary relations have undergone profound changes during the last decade. Many of these changes occurred in the period 1971-73 although tensions in the operation of the Bretton Woods System had begun to be felt in the early 1960s when intense discussion took place about its problems. An early warning came in 1960 from Professor Robert Triffin in his book Gold and the Dollar Crisis, which opened a lively debate preceding the official negotiations leading up to the creation of the Special Drawing Rights (SDRs) as a new reserve asset.

2. The need for more fundamental reform was faced after the Smithsonian Agreement of December 1971 had temporarily patched up the par value system. An agreement for remedial action was reached in the summer of 1972. It should be pointed out, however, that official recognition of the problems of international monetary reform came about through the breakdown of the Bretton Woods System and not as a result of deliberate decision. Forced by circumstances, monetary authorities had to abandon parities when it became impossible for them to maintain support of their exchange rates. The authorities were forced to suspend or abandon their intervention, and floating exchange rates were the result. Thus, fundamental change in the international monetary system has come about essentially through breakdown rather than through reform.

3. Since then, major new developments have taken place in the world economy: the further weakening of the U.S. dollar, the strain on international liquidity arising from extraordinary disequilibria in current accounts and growing debt servicing liabilities, with the oil-producing countries emerging as major world financial powers, and the claim of developing countries for an appropriate share in the management of the international monetary and financial system.

B. International Monetary Developments

4. The breakdown of the international monetary system commenced in May 1971 when Germany and the Netherlands found it necessary, owing to the pressure of an enormous inflow of U.S. dollars, to give up defence of their par values and

let the exchange rates for their currencies float upwards. Canada had commenced to float on 30 May 1970. On 1 August 1971 the United States announced that it was no longer prepared to buy and sell gold freely, that is, without limit, to foreign monetary authorities. After four months of unsatisfactory arrangements following the U.S. suspension of convertibility, the Smithsonian Agreement of December 1971 realigned the rates for the ten major currencies, that is, those of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States. New fixed rates were introduced, except for the Canadian dollar.

5. The rates of the Smithsonian Agreement were short-lived, however. In June 1972 the United Kingdom decided it could not maintain the exchange rates for sterling within announced margins. As a consequence, not only did sterling begin to float but so did the currencies of 16 other countries that were pegged to sterling. In January and February 1973 most of the remaining fixed exchange rates among the major currencies became unstuck. Floating rates were introduced successively for the Italian lira, the Swiss franc, the Japanese yen and the currencies of a number of primary producing countries. Grouped around the D-mark, some European Economic Community countries joined by Sweden, formed the "snake" in order to link their monies most closely internally. The U.S. proposed a 10 per cent reduction in the par value of the dollar and the dollar had its second devaluation in 14 months. Almost all the developing countries decided to link their currencies to one of the main currencies, dollar, pound sterling or the French franc which, in effect, means that the rates for their currencies move with the rates for these main currencies.

6. Another development is the disappearance of gold in monetary transactions. In March 1968, central banks relegated private transactions into a separate market where prices could be freely determined. The official gold price was later raised, from $35 to $38 per ounce and then to $42.22, reflecting the U.S. dollar devaluations, but the speculative demand for gold forced prices in open markets to levels three or four times the official price. With such a difference between the official and unofficial price of gold, all the official transactions came to an end. However, on 30 August 1975, the Finance Ministers of the United States, France, the Federal Republic of Germany, the United Kingdom and Japan agreed to abolish the official price of gold, and to permit monetary authorities to engage in gold transactions at any price they saw fit. All obligations to use gold in transactions with the International Monetary Fund (IMF) were abolished, and the IMF was to sell one-third of its gold holdings. Moreover, the Group of Ten[1/] agreed to certain arrangements outside the IMF Articles, the essential elements of which were that the price of gold should not be pegged, and that the total share of gold now in the hands of the IMF and the monetary authorities of the Group of Ten should not be increased.

7. Thus, by mid-1975, with the continuing depreciation of the U.S. dollar and the unpegging of the price of gold, the post-war gold-dollar exchange standard, established at Bretton Woods in 1944, was essentially terminated.

1/ The Group of 10 consists of the following developed countries: Belgium, Canada, France, Federal Republic of Germany, Italy, Japan, Netherlands, Sweden, United Kingdom and the United States.

C. The Requirements of International Monetary Systems

8. The difficulty of achieving international monetary reform is that, although governments have common interests in promoting orderly monetary relations facilitating world trade and capital movements, autonomous monetary policy is also often seen to be at the heart of economic sovereignty. The changes in international monetary relations already referred to have been accompanied by a shift in official thinking away from ambitions to establish a supranational system designed to discipline national policies, and towards the view that a system of rules and practices that constitute the international monetary order must be able to accommodate monetary sovereignty.

9. The two central issues of the system around which controversy has revolved concern the adjustment process by which governments may meet balance-of-payments disequilibra, and notably the use of domestic demand management, exchange rate adjustments, exchange and trade restrictions, and the use of equilibrating capital movements; and the provision of international reserve assets and the control of international liquidity. These two issues are elaborated briefly below:

(a) Any adjustment process will impinge on other countries, but it has been assumed by advocates of flexible exchange rates that they would confer greater national autonomy. Experience of recent years suggests that they may insulate a country from disturbances emanating only from goods markets, e.g. through differential rates of inflation, but that when disturbances arise in financial markets or policies, flexible rates may be destabilizing. Also, whether under a flexible or a fixed-rate regime, a major difficulty is to achieve consistency between different governments' views of the appropriate rate. Until August 1971, consistency in the Bretton Woods system was assured by the passivity of the United States which essentially left it to other governments to set their rates against the dollar;

(b) Under the gold-dollar standard, the volume of international reserve assets was determined by the vagaries of gold production and U.S.S.R. gold sales, and by the resort of many countries to the use of interest-bearing dollar balances as reserves. Reserve creation was essentially unrelated to the need of international liquidity; it created a capital inflow to the richest country in the world, and it gave rise to inevitable instability as the short-term claims on the U.S. accumulated. This problem brought the collapse of the gold-sterling standard in 1931 and it was the essential cause of the end of the gold-dollar standard in 1971. The creation of the Special Drawing Right in 1968 was meant to lead to a reformed Bretton Woods in which the SDR would gradually replace other assets, but the disturbances of recent years have so far not made it possible to move very far in this direction.

D. The International Monetary System and the Developing Countries

10. International monetary reform discussions have largely been shaped by the conflicts and compromises of the major financial nations - developed countries who are members of the Group of Ten.

11. Developing countries, however, have, with varying intensity, sought to assert their interest in the following features of the system and of the operations of the International Monetary Fund:

(a) They have a strong interest in the volume of credit facilities available to them in trying to ride out a recession and other disequilibria; only some of them have the possibility to rely on private short-term capital flows, and such credit is often held to require some official backstop.

(b) Already before the SDR had been created, suggestions were made that the creation of such money should be used for development finance, and the proposal that SDRs should be allocated to those who need them most and not to those who need them least will remain on the international agenda.

(c) Fluctuations in export earnings of developing countries were recognized as a major issue already when the IMF in 1963 introduced a compensatory financing facility. It was liberalized in 1966 and again in late 1975. Following the recommendation of the Conference on International Economic Co-operation (CIEC) in 1977, a study on the stabilization of export earnings is currently underway under the auspices of the International Bank for Reconstruction and Development (IBRD)/IMF Development Committee. However, no significant action has been taken on export prices. A buffer stock financing facility was created in 1969, but it was made a part of the compensatory facility of the IMF, and its scope was very limited.

(d) Although in practice developing countries have pursued a variety of exchange rate policies, many favour fixed over floating rates for a variety of reasons, many of them related to the deterring effects of uncertainty arising from exchange instability.

(e) Most of the IMF balance of payments assistance to deficit countries is conditional on its approval of their exchange rate, monetary and fiscal policies. Moreover, such approval is usually required also to obtain credit from private sources. Developing countries claim that IMF policy demands on developing countries are excessively stringent and result in unnecessary hardships and loss of development momentum.

(f) Finally, developing countries, as well as some developed countries, seek a greater share of responsibility and control in the decision-making and management of the international financial institutions, including the IMF.

E. The Jamaica Agreement

12. The Committee of 20 was set up at the time of the Fund's September 1972 Annual Meeting to report on Reform of the International Monetary System and Related Issues 1/. When the Committee began its work, it undertook to incorporate the major principles of a reformed international monetary system in the form of an outline. It was recognised that additional, precise language would be required for the purpose of revising the Fund's Articles of Agreements. It was initially hoped that the Committee of 20 would have developed a complete outline of the reform, together with recommendations for amendments to the Articles of Agreement by the time of the Annual Meeting in Nairobi, Kenya, in September 1973. This timing was disrupted by the exchange crisis during February and March 1973. Subsequently the work was complicated by the impact of accelerating world-wide inflation and the eruption of the energy crisis. This forced the Committee to revise its timetable once more. Recognizing that a return to fixed par values would be indefinitely delayed, the members decided to adopt a more evolutionary process of reform and to concentrate their work on those aspects that were most relevant to the situation immediately facing the world. At the January 1974 Rome meeting, the Committee discussed the emergency created by the oil price rise and the proposal for an oil facility. It also discussed the valuation and yield of the SDRsand agreed that it would be appropriate to base the valuation on a basket of currencies. In addition, it agreed on the establishment in the reformed system of a Council of Governors. In accordance with these recommendations, the IMF Board of Directors in the period January to June 1974 produced agreed recommendations to the Governors on the oil facility, the valuation of SDRs'guidelines for floating and a draft resolution creating the Interim Committee pending the establishment of the Council of Governors.

13. The Committee of 20 met for its final meeting in June 1974 and presented its work on the reformed system in a version of the Outline which left some issues open for later decision. These were, among others, a scheme of reserve indicators, possible graduated pressures to be applied to countries in cases of large and persistent imbalances, exchange market interventions, operational provisions for floating in particular situations, and control over aggregate volume of official currency holdings.

14. The developing countries were represented by 9 members on the Committee of 20. They, in turn, were guided by the views of the Group of 24 representing developing countries 2/. The Group of 24 emphasized that a reform package

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1/ The Committee of 20 consisted of the following countries: Argentina, Australia, Belgium, Brazil, Canada, Ethiopia*, France, Federal Republic of Germany, India, Indonesia, Iraq, Italy, Japan, Morocco, Netherlands, Sweden, United Kingdom, United States, Venezuela* and Zaire*. The countries bearing an asterisk were replaced in some meetings by Nigeria, Mexico, the Central African Empire and Ivory Coast respectively.

2/ The Group of 24 consisted of the following countries: Africa - Algeria, Egypt, Ethiopia, Gabon, Ghana, Ivory Coast, Nigeria and Zaire; Aisa - India, Iran, Lebanon, Pakistan, Philippines, Sri Lanka, Syria and Yugoslavia; Latin Americ Argentina, Brazil, Colombia, Guatemala, Mexico, Peru, Trinidad and Tobago and Venezuela.

should stress four elements: the link between development finance and SDR allocation; an extended Fund facility under which developing countries could receive longer term finance, a revision of quotas and voting power, and the proposed Joint Committee of the Fund and the World Bank on the Transfer of Real Resources, (later set up as the Development Committee).

15. In June 1974, the Committee of 20 asked the Executive Board of the IMF to prepare draft Amendments of the Articles of Agreement. Some of its recommendations resulted in agreement at a meeting of the Interim Committee in January 1976 in Jamaica, mainly on exchange rates and gold. The Interim Committee's agreement on exchange rates provides for the legalisation of a variety of exchange rate practices including floating. It also provides for "firm surveillance" over the exchange rate policies of its members and adopts specific principles for the guidance of all its members. Eventual re-introduction of a par system is allowed for but it requires an affirmative vote of 85 per cent which effectively gives a veto power to the U.S. and to combinations of like-minded countries.

16. The Interim Committee also agreed to an increase in IMF quotas by 32.5 per cent in all. This increase is substantially less than that of world trade since the last revision of quotas in 1972. World trade rose by about 180 per cent between 1970 and 1975. The shares of the oil-exporting developing countries will double, but those of other developing countries are being roughly maintained at a little over one-fifth of the total.

17. The Interim Committee did not agree to establish a link between the SDR allocations and development finance. This issue will come up again.

18. Opinions differ on the importance of the Jamaica Agreement. It is clear that for the most part negotiators in the Interim Committee, as in the Group of 20 before it, were deadlocked by serious conflicts and frozen positions and chose to suppress most issues rather than to resolve them. International monetary rules were brought into somewhat greater consistency with current practice, and like many other seemingly fruitless negotiations brought a greater understanding of the conflict. The IMF was recognized as the focal point of international monetary negotiations.

F. Open Issues

19. The principal long-term issue will concern exchange rates. In the views of some, fixed par values cannot be attained within decades, but much ingenuity is being spent on the formulation of rules for managed floating. The chief purpose of rules in this field as in many others, would be to defuse the controversies and remove the question of exchange rates from the level of high politics.

20. Immediate concern, however, fastens on the appropriate size of organized international liquidity. In the present organization of international finance, this is essentially the issue of the future size of the IMF. This

in turn is primarily determined by the size of country quotas 1/. Decisions on the Seventh Quota Review are now before governments and are overdue. Looming ahead is the Eighth Quota Review. The developing countries have a major stake in it.

1/ Quota determines the size of contribution to the Fund; all borrowings depend on the size of the quota; and it also determines the voting power of member countries.

The Independent Commission on
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Secretariat Paper 1
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ACCESS TO MARKETS AND MULTILATERAL TRADE NEGOTIATIONS

A. Market Access

1. Although earlier efforts at trade liberalization, such as the Kennedy Round of tariff negotiations, resulted in a significant reduction of tariff barriers in general and provided a strong impetus to the expansion of trade, they made less progress in dismantling the protective system that has impeded the access of products of particular interest to the developing countries.

2. Although tariffs on manufactures in industrial countries are on the average only about 8% of the value of imports, the products of interest to developing countries tend to face either zero tariffs - as a result of different preference schemes - or else quite high ones. The highest are, as a rule, imposed on such labour-intensive goods as clothing, textiles, shoes, etc. Tariffs tend to be higher at higher stages of processing, and the so-called effective rates of protection fall particularly heavily on those who are trying to export processed goods. Effective rates of protection for many products reach 50% and more.

3. Of the non-tariff barriers to manufactures, the most serious ones are quantitative restrictions (QRs) which now apply to more than 20% of non-oil imports from developing countries. Non-tariff barriers have increased in relative importance as tariffs have been cut.

B. Generalised System of Preferences

4. A generalised system of preferences (GSP) was proposed at the first session of UNCTAD in 1964 and was accepted in principle in the second session in 1968. The generalised system of preferences, consisting of voluntary, non-binding offers made by developed countries outside of any contractual partnerships with the beneficiaries, has resulted in the lowering or removal of tariff barriers to exports from developing countries. Schemes of generalised preferences have been introduced by virtually all the developed countries.

5. The beneficial effect of the GSP has been limited for two reasons:

(a) the limited coverage of the scheme which still does not, as a rule, embrace processed agricultural products; and

(b) the system of quotas and ceilings whose incidence tends to fall particularly heavily on those products for which the developing countries have a sizeable productive capacity and low production costs.

6. It is estimated that preferences -- including not only the GSP but also the Lomé and the Mediterranean agreements of the EEC -- have given rise to additional export earnings for developing countries of $2-4 billion a year.

7. The main constraint to liberalization is the impact on domestic industry in the developed countries. That is why the main liberalization under the GSP has been in areas where the impact on domestic industry was minimal or where the developing countries' capacity to export was not as great as to create problems for domestic industry. When the latter happens, the concessions granted under the GSP are curtailed. Unless steps are taken to meet the problem of competition from imports facing domestic producers in the developed countries, major progress in the way of market access for the manufactured goods of developing countries will be difficult.

C. Adjustment Assistance

8. Unless industrial structures of the developed countries themselves evolve in a complementary fashion, so as to accommodate a greater volume and variety of manufactured imports from developing countries, there will probably be a continuation of the prevailing barriers to access. This raises the question of industrial adjustment and structural change within the developed countries. By now, there is some experience with the official programmes of adjustment undertaken by developed countries. Progress has been slow, but there have been innovative approaches in some cases.

D. Multilateral Trade Negotiations

9. The need for a new round of negotiations was felt even before the Kennedy Round was concluded in 1967 and preparations for a new Round started almost immediately thereafter. In 1971-72 economic events of an urgent nature led to express manifestations by the major trading nations, notably the USA, EEC and Japan, of a desire to get started and the current multilateral negotiations officially opened at Tokyo in September 1973. The negotiations, though officially initiated in 1973, did not really begin until the governments concerned possessed the necessary legal authority to participate - which in practical terms meant that the U.S. Government had to be authorised by Congress to take action to reduce trade barriers affecting imports. The U.S. Trade Act of 1974 came into force in early January 1975 and the activation of various negotiating groups followed shortly thereafter.

Since then the negotiations have been going on. The major participating powers have repeatedly declared their intention to conclude the negotiations at an early date such as the end of 1976 and then the end of 1977. However, the negotiations gained momentum after the May 1977 London Conference of Western Heads of States. The negotiations have now entered a new phase, especially after the meeting of 23 January 1978 during which a list of offers had been tabled.

D.1 Objectives of MTN

10. The objectives of the multilateral trade negotiations are contained in the Tokyo Declaration of the Ministerial Meeting of GATT in September 1973. The objectives of the current round of negotiations, amongst others, are to:

(a) conduct negotiations on tariffs by employment of appropriate formulae of as general application as possible;

(b) reduce or eliminate non-tariff measures or, where this is not appropriate, to reduce or eliminate their trade restricting or distorting effects, and to bring such measures under more effective international discipline;

(c) include an examination of the possibilities for the co-ordinated reduction or elimination of all barriers to trade in selected sectors as a complementary technique;

(d) include an examination of the adequacy of the multilateral safeguard system;

(e) include, as regards agriculture, an approach to negotiations which, while in line with the general objectives of the negotiations, should take account of the special characteristics and problems in this sector;

(f) treat tropical products which originate mostly in developing countries, as a special priority sector.

D.2. Attitude towards Develping Countries

11. According to the Tokyo Declaration, the position of developing countries will receive particular attention. Additional trade benefits will be sought for them so as to achieve, among other aims, a substantial increase in their foreign exchange earnings and diversification of their exports. These benefits are to be obtained essentially through a substantial improvement in the conditions of access for products of export interest to those countries and wherever appropriate, through measures designed to attain stable, equitable and remunerative prices of primary products. The Tokyo Declaration also recognises the importance of the application of differential measures to developing countries in ways which will provide special and more favourable treatment for them in areas of negotiation where this is feasible and appropriate. The particular situation and problems of the least developed among the developing countries are to be given special attention and these countries are to receive special treatment in the context of any general or specific measures

taken in favour of developing countries. In addition, in the Tokyo Declaration, developed countries do not expect reciprocity for commitments made by them to reduce or remove tariff and other barriers to the trade of developing countries, that is, the developed countries do not expect the developing countries to make contributions which are inconsistent with their individual development, financial and trade needs. The Declaration also recognises the importance of maintaining and improving the Generalised System of Preferences.

12. The most important issue at the present time is whether it will be possible to stop the proliferation of new quantitative restrictions by acceptable safeguard rules.

D.3. Cause of Impasse

13. The negotiations have advanced slowly. The reasons were:

(a) the period since the Tokyo Declaration coincided with one of the severest recessions in recent history. What has made things worse this time is that concern with the dangers of inflation, resulting from recent experience, has inhibited many governments from taking measures to stimulate recovery. The high rates of unemployment in many industrial countries have also prevented governments from taking bold measures to liberalize trade;

(b) tariff positions continue to be different and the obdurate problem of agricultural trade will continue to remain an obstacle. However, the developed countries have commenced negotiations in the search for multilateral solutions which would reduce the excessive fluctuation of three important markets, i.e. cereals, dairy products and meat products.

D.4 Current Status : Developed Countries' Position

14. According to the agreement arrived at between the USA, EEC and Japan, an announcement was made on 23 January 1978 stating that these main trading partners had tabled their offers, including the one on tariffs. Other countries, including Australia, Canada and the Scandinavian countries, also announced the tabling of their offers.1/ The three main trading partners announced their determination to go ahead full-steam with the negotiations with a view to concluding them by the summer of 1978. It was also announced that the results of the negotiations will be implemented beginning 1 January 1980 over a period of eight years.

1/ The list of offers is confidential at the time of writing this report. The Secretariat is trying to obtain as much detail as is consistent with their confidentiality.

D.5 Current Status : Developing Countries' Position

15. The developing countries' involvement in the MTN is very uneven, as some of them are not much affected, and the principle of non-reciprocity makes it difficult for them to participate fully. As a group, however, the developing countries take the position that the procedures employed by the three main trading partners are unsatisfactory, especially as their offer of 23 January was made informally and the Trade Negotiating Committee and its groups had hardly met during the last six months, with the developing countries not being involved in the negotiations except in a peripheral manner. The developing countries emphasise the need to preserve the multilateral character of the negotiations and to give adequate opportunities to them to participate in the negotiations at all stages. On substantive matters, the developing countries have consistently argued that there is a need for institutional changes which would make it possible for them to apply freely trade measures adapted to their long-term developmental needs.

16. The developing countries have not yet made an offer in the MTN but stated that they are prepared to make contributions at a later stage of the negotiations when they know what, if any, additional benefits would accrue to them in the offers tabled by the developed countries.

E. Economic Co-operation amongst Developing Countries

15. An enormous potential market for the exports of developing countries are the developing countries themselves. The experience with their mutual trade has been mixed and many of them maintain very high trade barriers. The possibilities for their economic co-operation, however, have never been as great as they are now. As a result of successful industrialization during the last quarter century, a number of developing countries are now producing a wide range of capital goods and intermediate products. Judging by their recent success in penetrating international markets, these new centres of industrial activity are competitive and efficient. This offers an opportunity for large-scale intra-trade not only amongst those more advanced developing countries themselves but also between them and those industrially less advanced. The latter would obtain a larger market for their primary products both within and outside the developing world. The Secretariat intends to explore rapidly the realistic possibilities of expanding economic co-operation amongst developing countries and examine measures which might be undertaken by the developing countries themselves and by international agencies to stimulate such a co-operation. One of its effects would be to lead to increased employment all round, both in the developing and the developed countries rather than to cut-throat competition for markets and jobs, which now threatens.

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NEGOTIATIONS ON TRANSFER OF TECHNOLOGY

A. Introduction

1. Technology transfers take place through normal commercial channels. On this basis, the "late-comers" were expected to obtain the technical requirements for their growth from this heritage of mankind. International concern that the "late, late-comers" were not deriving commensurate benefits from the existing system of technology transfer was voiced in the early 1960s. Indeed, the United Nations General Assembly Resolution 1713 (XVI) of 1961 called for a report containing a survey of patent legislation and the effects of such legislation on the economies of the developing countries. The report of the Secretary General in response to this request formed the background to UNCTAD I's discussion on this matter.

2. The United Nations Conference of Trade and Development in 1964 (UNCTAD I) adopted a recommendation (Annex A.IV.26) to the Final Act which urged both the developed and the developing countries together with competent international bodies, to take appropriate steps to facilitate the flow of patented and unpatented technology by license, know-how agreements, creation of facilities for information on technical documentation, know-how and other means. This recommendation was endorsed by General Assembly Resolution 2091 (XX) of 20 December 1965. There followed a number of technical works by the UN Department of Economic and Social Affairs and the UN Institute for Training and Research - work which was periodically reviewed by the UN Advisory Committee on the Application of Science and Technology to Development. However, over time it was felt necessary to establish within UNCTAD a division that would deal exclusively with these issues. This was done after UNCTAD II, at the recommendation of the Trade and Development Board.

3. The technical work undertaken had shown that there were significant gaps in the mechanisms for technological transfer. First was the fact that the market for technology is imperfect since one of the basic elements for the effective functioning of a competitive market - knowledge of the buyer and the seller about what they are buying and selling - is only

available to the seller. Secondly, in order to preserve the monopoly position of the seller of the technology, skill formation for the buyer cannot be taken for granted. As a result of these factors, the costs of transfer were considerable and access to technology was impeded by the existing legal and juridical framework. These studies recommended a review of the industrial property system and the establishment of a code of conduct in the transfer of technology. These recommendations were accepted by UNCTAD III. Resolution 39 (III) requested for studies of "possible bases for new international legislation regulating the transfer from developed to developing countries of patented and non-patented technology, and more specifically of the role of the international patent system in such transfer". The United Nations Sixth Special Session Resolution 3201 (S-VI) para. 4(p) and Seventh Special Session Resolution 3362 (S-VII) para. 3 Section III called for similar review.

4. A number of Committees - governmental and experts - have been formed to examine the possibility of establishing a new code as well as reviewing the Paris Convention for the Protection of Industrial Property. The negotiations on the code of conduct for the transfer of technology have been carried out within the framework of UNCTAD and the review of the Paris Convention is being carried out within the framework of the World Intellectual Property Organization (WIPO).

B. Negotiation for the Code of Conduct on Transfer of Technology

5. During the meetings of the inter-governmental group of experts which were held in 1975, the developing countries (Group of 77) and the developed market economy countries (Group B) presented their positions on the nature and contents of the future code.

B.1. Code Proposed by the Developing Countries (Group of 77)

6. The main principles and objectives of the code, as set out by the Group of 77 are the following: (a) the strengthening of the national capabilities of all countries, in particular of the developing countries; (b) improving the access to technology at fair and reasonable prices and costs, both direct and indirect, and to regulate business practices, particularly those arising from transfer pricing and transfer accounting; (c) the promotion of the unpackaging of transactions with regard to the choice of the various elements of technology, evaluation of costs, organization and forms and institutional channels for the transfer of technology.

7. The Group of 77 insist on the code covering all types of technology transactions and that it should recognise the right of all states to adopt legislation, policies and rules for the regulation of the transfer of technology operation. They list 40 practices that are incompatible with the principles and objectives of the code. The draft code of the Group of 77 provides for guarantees that enterprises supplying technology should grant in transfer of technology transactions. It also lists a number of measures that governments of developed countries shall grant as

a matter of special treatment to the enterprises of developing countries. On applicable law and settlement of disputes, the Group of 77 stress that technology transactions shall be governed by the laws of the technology-receiving country and that those countries shall exercise legal jurisdiction over the settlement of disputes pertaining to transfer of technology arrangements between the parties.

8. In the view of the Group of 77, technology is a part of the universal human heritage and all countries have the right of access to technology in order to improve the standards of living of their people. An adequate transfer of technology could become an effective instrument for the elimination of economic inequality among countries and for the establishment of a new and just international economic order. The developing countries believe that an international legally-binding instrument is the only form capable of effectively regulating the transfer of technology.

B.2. Code Proposed by Developed Market Economy Countries (Group B)

9. The Group B draft lists, among others, the following principles:

(a) the right of each government to legislate on the subject of technology transfer, within the framework of international law and with due recognition of existing rights and obligations;

(b) that every technology transfer is an individual case, and

(c) that access to technology should be based upon mutually agreed terms and conditions.

10. Group B excludes from the scope of application of the code the mere sale of goods. The text also recognises the right of source and recipient governments to adopt legislation, regulations and policies pertaining to the transfer of technology within the framework of applicable international law, treaties and agreements but emphasises that changes in national regulation should be carried out with full regard to existing rights of source and recipient enterprises. Group B lists eight practices that should be avoided. On applicable law and settlement of disputes, the Group B draft points out that the parties to an agreement should have the freedom to choose the law governing the validity, performance and interpretation of the agreement, provided that the State whose law is chosen either has a substantial relationship to the parties or to the transaction, or there is other reasonable basis for the parties' choice. The draft indicates that the parties should be permitted to provide that disputes could be settled by means of arbitration or other third party procedures.

11. A word should be added on the framework of Group B's proposal. For Group B, a code consisting of agreed guidelines of a voluntary and legally non-binding character would be the only way of facilitating or encouraging the

growth of scientific and technological capabilities of all countries. These guidelines should set out general and equitable principles applicable to the transfer of technology, including governments. One important consideration for the Group B countries is that modern industrial technology is being developed using primarily private resources.

B.3. Position of the Socialist Countries of Eastern Europe (Group D)

12. Group D, the third regional group involved in these negotiations, has not introduced a detailed outline of a code of conduct but has advanced some basic principles e.g. that a code of conduct should be a universally acceptable instrument based on the equality of all parties, just and equitable observance of interests, respect for national sovereignty and elimination of trade discrimination. Group D has also suggested that transactions under intergovernmental agreements should be excluded from the scope of application of the code.

B.4 Remaining Issues for Resolution

13. Resolution 89 (IV) adopted at the 4th UNCTAD (May 1976) recommended that work on a draft code of conduct should be accelerated with a view to its completion by 1977. It established an intergovernmental group of experts, open to the participation of all member countries in order to elaborate the draft code. It recommended further that the General Assembly, at its 31st Session, convene a UN Conference under the auspices of UNCTAD to negotiate on the draft elaborated by the group of experts as well as take all decisions necessary for the adoption of the final document embodying the code of conduct including the decision on its legal character. This Conference is scheduled for 1978.

14. The intergovernmental Group of Experts for Drafting an International Code of Conduct on Transfer of Technology has met several times (8-19 November 1976, 28 March-5 April, 25-29 July and 17-28 October 1977). They have narrowed the difference between the three groups and have established a composite draft text. Nevertheless, basic areas of disagreement remain. These are:

(a) what precisely are to be regarded as "restrictive business practices" to be prohibited by the code? (G.77 lists 40, B lists 8);

(b) whether the code shall be legally binding in some way and backed by national laws or merely offered in form of voluntary guidelines;

(c) whether it should incorporate the principle of special preference for the less developed countries;

(d) whether such legal issues as arise in technology contracts should be subject to international arbitration or to resolution by the courts of the host or home country;

(e) whether it should include a number of guarantees that supplying firms are to offer to purchasers (e.g. that the technology supplied is complete); and

(f) whether it should include a number of prohibitions and restrictions as to the terms of technology contracts (e.g. limits on royalty payments to parent firms, time limits on licensing etc.).

C. Negotiation on the Revision of the Paris Convention for the Protection of Industrial Property

15. The industrial property system is defined by two key instruments: patents and trademarks. Since the founding of the Paris Convention in 1883, six revisions have been made, all with marginal participation of the developing countries. Following UNCTAD III resolution 39 (III), and United Nations General Assembly Resolution 3362 (S-VII) Section III, para 3, a Preparatory Inter-governmental Committee was established to review the Paris Convention. The developing countries are well represented in this Committee. The Committee has so far held two sessions, the last one in July 1977. These negotiations have taken place under the auspices of WIPO.

16. The developing countries are attempting to establish a fair balance between the public interest and the broader needs of development on the one hand, and the patent-holders' rights on the other. Their concern derives from the following evidence: that nationals of the developing countries hold a bare one per cent of the world total patent grants, that foreigners run in the developing countries six times more patents than nationals of these countries and that 90-95 per cent of the patents so owned by foreigners are never used in the production process in these countries. They interpret these findings to mean that the present patent system as embodied in the Paris Convention and in national legislation has a negative effect on the economic and technological development of the developing countries.

17. The developed countries, on the other hand, believe that it would be more correct to say that the patent system really has little impact on most developing countries because most developing countries have not attempted to use the patent system to their own benefit in encouraging both local invention and development, and in encouraging transfer of technology from organisations and individuals in other countries. Nor are they prepared to examine the review of the industrial system in the framework of the New International Economic Order. A major developed country had expressed the view that it did not agree with the statement that the Declaration and Programme of Action on the

Establishing of a New International Economic Order (adopted by Resolution 3201 (S-VI) and 3802 (S-VI) should be the guiding consideration for revision of the Paris Convention.

18. Nevertheless, some progress has been made. There are a few areas of disagreement on the draft revision, e.g. national treatment, preferential treatment, unanimity, compulsory exchange of information and quality of patent disclosure. Future meetings may resolve some of these outstanding issues. There has, however, been little work on trademarks review. This will constitute the next phase of the Paris Convention revision.

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NEGOTIATIONS ON TRANSNATIONAL CORPORATIONS

1. Today most foreign direct investment is carried out by transnational corporations (TNCs). It is estimated that fewer than 200 enterprises account for more than half of this international direct investment. This explains the concern on transnational corporations which came to a head in May 1972 when the US Senate Foreign Relations Committee voted to conduct an investigation into the activities of the ITT in Chile. In the same year Hernan Santa Cruz, on behalf of Chile, requested the Economic and Social Council of the United Nations to appoint a Group of Eminent Persons to study the role of transnational corporations and their impact on the development processes, especially in developing countries, as well as their implications for international relations (resolution 1721 (LIII)).

2. The Group of Eminent Persons met in 1973-1974 and produced a report which, among other things, recommended the creation of a permanent commission, the creation of a focal point within the UN system for transnational corporations and the elaboration of a code of conduct for these corporations to be carried out by the above institutions. ECOSOC accepted these recommendations (resolution 1908 (LVII) and in November 1975 the Centre on Transnational Corporations became operative with the appointment of the Executive Director.

3. A number of issues on transnational corporations are, of course, being dealt with by a number of other international organisations. For example, labour matters related to transnational corporations are dealt with by ILO, restrictive business practices and transfer of technology by UNCTAD. The main focus of the Centre and the Commission is, therefore, on the code of conduct. An Inter-governmental Working Group on the code has been established, and is to complete the draft code by the spring of 1978.

4. The key issues that will have to be resolved include:

(a) the factors to be covered, i.e. whether the code should deal solely with the behaviour of transnational corporations or should also cover the principle of government policies. The developing countries (Group of 77) want to have a code that deals only with the activities of transnational corporations. Group D supports a code covering privately-owned transnational corporations. The developed market economy countries (Group B), however, are in favour of a code that is addressed to both governments and corporations;

(b) the approach - whether an attempt should be made to achieve maximum regulation which would involve a mandatory code, specific provisions and international implementation, or minimum regulation, namely a voluntary code, generally formulated and nationally implemented. The Group of 77 support the former approach and Group B favour the latter;

(c) legal nature of the code - whether it should be a binding instrument (convention) as favoured by the Group of 77 or merely a declaration of governments or a resolution of the UN, as supported by Group B;

(d) the code's comprehensiveness - which of the following should be included: ownership and control, transfer pricing, taxation, competition and restrictive business practices, transfer of technology, employment and labour, consumer protection, environmental protection, treatment of transnational corporations, disclosure of information, nationalisation and compensation and jurisdiction.

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NEGOTIATIONS ON THE LAW OF THE SEA

A. Introduction

1. The negotiations on the Law of the Sea commenced in the post-war period on the realization of the likely future importance of offshore oil, which led to the first significant assertion of a national right in an area that had been considered international. In a unilateral proclamation in 1945, the Government of the United States claimed the exclusive right to explore and exploit the mineral resources of its continental shelf beyond the territorial area. Subsequently several other countries claimed seaward extensions of national jurisdiction to 200 miles. The need to reconcile these and other newly asserted rights with existing international law led to the convening of the First United Nations Conference on the Law of the Sea in 1958. The width of the territorial sea continued to be an issue. Therefore, in 1960 the Second United Nations Conference tried but failed to establish universal agreement. In 1970 the United Nations General Assembly adopted a declaration of principle to the effect that the seabed and its resources are "the common heritage of mankind". At the same time, it decided to convene the Third United Nations Conference on the Law of the Sea. The Third Conference has so far held six sessions but has failed to attain its objective which is the adoption by consensus of a treaty or a convention.

B. Areas of Negotiation

2. The major areas covered by the Conference are:

(a) resources of the seabed and ocean floor beyond the exclusive economic zone 1/;

(b) navigational and territorial issues including the exclusive economic zone;

(c) environmental, scientific and technological issues; and

(d) settlement of disputes.

1/ Exclusive economic zone is defined as an area beyond and adjacent to the territorial sea under which the rights and jurisdictions of the coastal State and the rights and freedoms of other States are governed by the provisions of the Convention. (It is yet to be agreed).

C. Current State of Negotiations

3. As a result of the preceding sessions, a "revised single negotiating text" has been prepared, largely on the responsibility of the various Committee Chairmen and the President of the Conference. It is very far from an agreed text. In fact, the revised single negotiating text masks a number of problems and divergencies of view which persist in each of the major areas covered by the Conference. Of the four areas, the most important from the viewpoint of the developing countries is the seabed and ocean floor resources. It is also recognized that the question of seabed mineral resources is the most difficult to resolve of all the issues before the Conference.

D. Seabed and Ocean Floor Resources

4. The objective is to establish an internationally accepted regime for the exploitation of these resources by the time that commercial exploitation becomes economically feasible. Although a number of international consortia already have most of the technology for experimental exploitation, it is estimated that upwards of five years will be required in order to develop this technology to the point at which exploitation of commercially viable quantities of minerals is possible.

5. The sort of control that is envisaged is a regime that would have at its centre an International Seabed Authority. As an organ of the Authority, an international enterprise would be established to conduct seabed prospecting, exploitation and exploration. The enterprise would enter into contract, under procedures to be established, with contractors. These contractors would, in practice, be the international consortia which possess the necessary equipment and expertise.

E. General Principles of Seabed Resource Exploitation

6. Draft texts of general principles regarding the exploitation of seabed resources have been prepared. They include such principles as:

(a) fostering healthy development of the world economy, trade and co-operation for development, especially of developing countries;

(b) expanding opportunities to participate in development of seabed resources;

(c) increasing availability of resources to meet world demand;

(d) protection against adverse economic effects on mineral export earnings of developing countries. In this connexion, reference is made, inter alia, to commodity arrangements for minerals contained in the seabed nodules and to interim production controls;

(e) conservation and avoidance of waste; and

(f) equitable sharing in and distribution of benefits taking into particular consideration the interests and needs of developing countries.

7. From these general pricniples, two broad areas of preoccupation may be discerned. One is the impact on markets and the second is the question of participation in benefits.

F. Cause of Impasse

8. The main stumbling block in arriving at an agreed regime is the relationship between the enterprise and the contractors. Two alternative structures are under consideration. In one, known as the banking system and favoured by most developed countries, the contractor would propose two sites to the enterprise which would select one for exploitation by the contractor and would bank the other for eventual exploitation by the enterprise itself. The other alternative is known as the unitary system, under which the enterprise would control all mining areas and select licencees.

G. Other Questions

9. In the remaining three areas (see. para. 2 above), progress has been made but it is difficult to hazard a guess as to when this Conference might be concluded.