

Section 2

North-South Negotiations: Substantive Issues

General Approach

3.1 It is clear from our examination of the historical evolution of the process of North-South negotiations that the results, in terms of agreed conclusions and decisions, are relatively few and far between. In this section, we review briefly the 'state of play' in some of the major areas of these negotiations. If, in doing so, we seem to view matters to some extent from the perspective of the South, this reflects the fact that the developing countries are the active parties in the negotiations, the ones who have an interest in their success defined as the achievement of progress on the items of the agenda. One of the problems of the negotiations, of course, is that for at least some elements in the North the failure to make such progress would itself constitute 'success'. For the reason given in an earlier section on interdependence, we believe that such an interpretation is profoundly mistaken. But as long as it prevails, it makes it difficult to evaluate the negotiations from a Northern standpoint.

3.2 However, we suggest that, beyond the narrow perspective of the negotiating tactics employed by the parties concerned and the degree of progress achieved on specific agenda items adopted at any given time, the results of the North-South negotiations should be considered in relation to certain common objectives of both North and South. We referred earlier to the national and international dimensions of the development problem and, apart from the question of any moral imperative, it must be in the interests of both North and South to see that national and international efforts are given urgently a major boost to accelerate development in the South. In the context of interdependence, continuing failure to achieve significant development in large parts of the South would create serious economic and political dangers for the world community as a whole. Closely related is the objective that, instead of damaging the interests of the North, cooperative action by the North and the South should help in realising gains that could accrue to both sides. At the very least, the North-South

negotiations should aim to eliminate or minimise the costs that are being incurred because of the shortcomings in the international economic system. For example, instability in international commodity markets involves serious costs for both exporting and importing countries — developed and developing alike — and its reduction is bound to be of mutual advantage. Moreover, the North-South negotiations should focus on rules required to govern and regulate transnational relations between the developed and developing countries. The inadequacy of the present rules and the ineffectiveness of their enforcement are particularly evident in the trade policy area where both North and South have a common objective in strengthening international rules against protectionist measures.

3.3 It is against the perspectives of the urgency of solving the development problem, of the need for a more rule-oriented and cooperative international economic system, and of the mutual gains that can accrue from enlightened development policies and the common losses that are being incurred in their absence, that we examine below the results of the North-South negotiations in the major economic areas in which they have been conducted.

Money and Finance

3.4 Money and finance have now emerged as the most important area in the North-South negotiations. There is a common interest in a monetary system with predictable and stable exchange rates and adequate international liquidity to encourage investment and world trade. There is also general agreement, at least in principle, on the need for a balance of payments adjustment process in which the surplus and strong countries play an equitable role, without imposing inappropriate or excessive restraints on deficit countries. Further, it is generally agreed between the North and the South that development finance has been on the whole inadequate for the needs of developing countries. However, important differences persist with regard to almost all specific issues and measures suggested to improve the world system and meet the special needs of developing countries. In particular, the South considers that the two international institutions primarily concerned — the IMF and the World Bank — have not, as presently constituted, been able to keep abreast of the needs for their services.

3.5 Broadly speaking, the South's aims in negotiations on money and finance have been concerned with (i) basic reforms in the international monetary system and financial institutions, with a view to making them more responsive to the special needs of developing countries, and (ii) substantially increasing the flow of financial resources to developing countries. Evaluation of these negotiations is particularly complicated

by the fact that any proposal in this area, taken in isolation, usually appears to involve an additional contribution from the rich, without any compensatory benefit to them. Negotiations do not often progress, therefore, beyond the stage of the South formulating demands and proposals and the North raising objections to their desirability or practicality. Account must therefore also be taken of negotiations that have not yet got off the ground but could do so if there was a change in the perception of mutual gains or common losses or, perhaps, even in the negotiating process itself.

(i) *Reform of the International Monetary System and Financial Institutions*

3.6 Reform of the monetary system has been a shared objective of both the developed and developing countries, at least since the establishment of the Committee of Twenty in 1972 (see paragraph 2.21). The fact that it did not prove possible to implement many of the Committee's recommendations had little to do with North-South differences. In fact, the Jamaica package of 1976 contained several elements of particular interest to developing countries, even though it has now come to be seen mainly as legitimising a new permissive regime for the rich which involves them in few obligations for international adjustment.

3.7 However, the South has now come to believe that the system as a whole serves very inadequately (and even discriminates against) the interests of developing countries and requires major restructuring. While progress in some major respects, including the exchange rate regime, the role of the SDR, and the sharing of the burden of adjustment, seems to be blocked by differences among the developed countries themselves, the South has focused attention on the basic operations of the international institutions. First, it has sought to improve and extend the facilities offered by the IMF, the World Bank and, to a lesser extent, by the regional banks. In this, significant success has been achieved, as evidenced by the marked increase in the operations of these institutions in recent years. However, renewed difficulties now seem to be arising which might only partly be due to the economic and other difficulties of the North and suggest increased strains in North-South relations.

3.8 Secondly, the South has suggested changes in the structure of, and the decision-making processes in, these institutions. It plays a relatively minor role in important financial and monetary decisions and the weighted voting system in the IMF and the World Bank prevents decisions that the South considers to be desirable, e.g. SDR allocations or the 'link' proposal. Attempts to improve the negotiating process

through the establishment, in 1975, of the Interim and Development Committees have failed to change the situation materially. The South, therefore, believes that future progress in negotiating specific issues could be facilitated by more equitable power-sharing in these institutions. However, the differences with the North in this respect have proved particularly difficult to resolve. The North has remained committed to maintaining a close relationship between financial contribution and voting power. It has also pointed out that, even with the existing voting structures, the institutions concerned can be, and have been, modified to meet changing circumstances. Developing countries have, in fact, acquired in recent years somewhat greater representation and more votes on the Boards of both the Fund and the Bank, but the scope for future progress in this respect would seem to be limited unless perceptions change.

(ii) *Financial Flows*

3.9 Apart from the recent increase in the balance-of-payments support provided by the IMF, the relatively rapid expansion in the operations of the multilateral banks and soft-loan funds has been one of the main developments in the post-war era that have had the support of both North and South. The establishment of IDA was one of the earlier successes in this respect. The operations of the World Bank Group expanded particularly rapidly during the 1970s, not only in terms of financial assistance but also in aid management and technical assistance.

3.10 However, faced with increased financial requirements, the South has pressed for even faster expansion in the operations of the multilateral institutions. But the prospects for such expansion (or even for maintaining the past trends in some cases) have deteriorated recently as the North has become increasingly concerned not only with its own economic problems, but also, more specifically, with issues of burden-sharing among its members as well as with OPEC. In addition, in certain countries of the North there seems to be some questioning of the role of multilateral institutions as instruments of national policy; in others, policies are being adopted to reduce the role of the state, nationally and internationally, in relation to market forces and the private sector. As a result of these developments, the Board of the World Bank has not yet been able to agree to the management's proposal for a faster increase in lending; the proposal for an energy affiliate has remained blocked despite widespread support for the Bank to pay particular attention to energy development; and the difficulties faced in successive IDA replenishments have become aggravated by the increasing danger of a reduction in real terms in IDA resources under the Seventh Replenishment. As for the IMF, the Eighth Quota Review

and the SDR allocations appear to be subject to the same negative forces.

3.11 Outside the multilateral institutions, North-South issues in the field of financial flows have mainly concerned ODA and debt relief. So far only five DAC member countries have reached the internationally agreed target of 0.7 per cent of GNP. The 1981 DAC average of only 0.35 per cent is unlikely to be exceeded significantly by 1990 unless there is a marked change in attitudes. On the other hand there has been improvement in the quality of aid — in untying it and increasing the grant element. Even here, however, the prospect is at best mixed.

3.12 While views on the severity of the debt problem vary considerably, there is as yet no agreement on measures to relieve or alleviate the growing debt burden of developing countries. After protracted and controversial negotiations, some relief was granted, under an UNCTAD resolution in 1978, in respect of the official debt of poorer countries; agreement on a framework and guidelines for future reorganisation of official debt was also reached at UNCTAD in September 1980. These were significant, if inadequate, 'successes' in the North-South negotiations. The problem has since grown substantially, however, and the measures taken so far have proved grossly inadequate, particularly as the rapidly expanding commercial debt remains outside the scope of UNCTAD guidelines and without international means for emergency support.

3.13 The issues involved in the North-South negotiations concerning money and finance are complex and often reflect differences within the North. The present negotiating process, dealing with individual issues on a piecemeal basis, seems particularly inadequate in this area, in that it fails to facilitate progress on specific measures despite general agreement on broad principles. The debt issue clearly demonstrates both the inadequacy of the current perceptions of interdependence between North and South and the limitations of negotiating linked issues separately. Future progress will require considerable efforts at 'packaging' negotiated mutual gains to establish clearly that the provision of increased finance to developing countries is, in many circumstances, significantly also in the interest of the North.

Commodities

3.14 North and South have also a common interest in solving the basic problem of price instability in commodity markets: widely fluctuating prices harm consumers as well as producers. The traditional policy approach was for exporting and importing countries to establish international commodity agreements (ICAs) incorporating stabilisation

mechanisms such as supply regulation and buffer stocks. For developing countries (and some developed primary producing countries), however, it became increasingly important that, in addition to specific mechanisms to stabilise prices of particular commodities, a more comprehensive and integrated approach should be adopted in order to stabilise export earnings around a long-term trend which was rising in real terms. They therefore sought to establish an Integrated Programme for Commodities (IPC) comprising a Common Fund (CF) to support measures to stabilise commodity prices through a comprehensive set of ICAs and to promote market stabilisation and improvement in other ways.

(i) *The Common Fund*

3.15 Four years after the adoption of a resolution at UNCTAD IV on an IPC and following protracted negotiations, agreement on the CF was concluded in June 1980. It has been the most significant achievement of the IPC to date; but the CF to which countries eventually agreed was very different in nature and scope from that on which the South had earlier pinned its hopes. Whether an instrument of the kind denoted in the Agreement can effectively stabilise and support commodity prices and export earnings is a question fundamental to developing countries' interest in ratifying the pact, and the slow progress made suggests doubts about its effectiveness.¹

3.16 The main cause of the developing countries' disquiet is the greatly reduced size of the CF and the limitation of its financial role. The South wanted the CF as a strong central source of finance, with resources of US\$6 billion funded directly by governments and by its own borrowings from capital markets. The CF would be wholly responsible for financing the ICAs within the IPC. Instead, difficulties in agreeing on the size of funding and allocation among member governments meant that consensus was only possible for a CF of indeterminate but relatively small size (with initial funding by governments of \$470 million in direct contributions plus \$280 million in voluntary ones); moreover, the CF itself will be partly dependent for funds on the ICAs, with which its relationship is as yet unclear. The South considers the initial size of the funding envisaged to be wholly inadequate for the CF to play the desired catalytic role in setting up new ICAs, particularly in view of the change of emphasis in many of them from price stabilisation to other

1. Ratification by 90 countries accounting for two-thirds of the capital of the CF is required to bring the Agreement into operation. By mid-1982, only 32 countries accounting for 25 per cent of the directly contributed capital had ratified it. As a result the scheduled date for implementation has been postponed from 31 March 1982 to 30 September 1983; whether the necessary level of ratification will be reached even by that date is by no means certain.

measures, such as research and development and marketing, which fall within the sphere of operations of the Second Account of the CF.

(ii) *International Commodity Agreements*

3.17 The IPC resolution adopted in 1976 envisaged the conclusion, by the end of 1978, of ICAs with agreed price ranges and appropriate stabilisation mechanisms for 18 commodities. Measured against this target, the achievement has been very disappointing. After a massive effort only one new ICA has been negotiated (for natural rubber) and four existing ones renegotiated with some difficulty (for cocoa, coffee, sugar and tin). It appears most unlikely that in the near future there will be ICAs even for the priority list of ten core commodities for, apart from those mentioned above, only tea seems to offer some hope for significant early progress. Negotiations on the others — cotton, copper, jute and hard fibres — have not in general advanced appreciably, and even where some progress has been made (as in cotton and jute) the ICAs may not contain any price stabilisation mechanisms.

3.18 This relatively poor record can be partly attributed to the belief of certain countries, particularly in the North, that ICAs are incompatible with, or an impediment to, the free operation of market forces; that they lead to inefficiencies, excess capacity and the misallocation of resources; and that they have undesirable or at least questionable income distribution effects. For these reasons the present United States Administration, for example, is unwilling to participate in most ICAs.¹ Perhaps the basic difficulty, however, has been in establishing at any given time the mutuality of interest in ICAs between consumers and producers, and in determining an 'equitable' range of 'indicator' prices or size of buffer-stocks or level of export quotas. Moreover, hard negotiating stances by countries of both the North and the South have reduced the effectiveness of such ICAs as have been established. The recent history of ICAs for sugar, cocoa and tin have demonstrated this.

3.19 In addition, some countries of the North have been reluctant to allow the commodity development measures envisaged for the Second Account of the CF to be broad based. This is important for a number of commodities including several fibres, tropical timber, and vegetable oils and oilseeds.

3.20 There have also been difficulties caused by the South which have reflected differences of interest between the countries concerned. Some of these differences reflect the fact that many developing countries are

1. In the case of renegotiation of a new Wheat Trade Convention (outside the IPC) the US also pointed to difficulties which would be caused to its domestic agricultural policies.

themselves importers of commodities;¹ but even among the producers, divergent interests have occurred between those countries whose output of a commodity is large, well-established but high-cost, and those where it is small, new but low-cost. Such differences cause difficulties in the allocation of export quotas and have been a major sticking-point in the tea negotiations.

3.21 There have also been various technical difficulties in negotiating ICAs, not directly related to North-South issues. The degree of appropriateness of the proposed measures is one example: doubts on the usefulness and viability of buffer-stocks for several commodities such as vegetable oils, bauxite and other metals are a prime cause of the failure of consultations on them to reach the negotiation stage.

(iii) Other Measures of International Commodity Control

3.22 To developing country disillusionment with achievements under the IPC with regard to price stabilisation has now been added dissatisfaction with progress in other respects. A proposal by the South at UNCTAD in February 1982 for drawing up a framework of international cooperation on commodity processing and marketing met strong resistance by the North which, in the view of the South, appeared unwilling to take action which had implications for the activities of transnational corporations. An equally unfavourable reception was accorded to proposals for a new commodity financing facility to compensate for shortfalls in export earnings. This issue, in the opinion of the North, should be considered not at UNCTAD but only at the IMF, and within a balance-of-payments context. Opposition to the proposals was also expressed on theoretical grounds and there is little likelihood of early action. In the meantime, the IMF Compensatory Financing Facility, which is concerned with stabilising total export earnings, has been expanded to some extent to meet demands for greater support for depressed export earnings. However, the Facility does not have a commodity focus; the support it provides is limited by IMF quotas; and its conditionality appears recently to have hardened.

Trade Policy

3.23 All countries have an interest in the expansion of world trade, but for many developing countries, with relatively small domestic markets and a limited range of resources, economic development is critically dependent on their ability to export. These countries need access to the

1. This is particularly true of grains, where the major exporters of wheat are from the North and importers are from the South. In this case, therefore, contrary to the normal pattern, it was the developed countries which, in negotiations for a new Wheat Trade Convention, sought a high 'indicator' price and the developing countries a lower one.

large and growing markets of the North, and the confidence that such access will be available on a stable and continuing basis. They have therefore pressed the developed countries to improve, or at the very least to maintain, these trading opportunities. Over the last couple of decades, progress towards this objective has been significant in some respects but negligible or even negative in others. On balance the record has been disappointing, particularly in the last seven or eight years.

3.24 Earlier significant achievements in this area included the Generalised System of Preferences (GSP), agreed at UNCTAD II and implemented by developed countries from 1971. It has proved to be of some help in raising exports from developing countries but its limitations have become increasingly apparent as time has passed. Its effects have been eroded by various technical features and also by the discriminatory way in which the more successful developing countries have been (and are being) phased out of eligibility for benefit. Moreover, many of the products in which developing countries have had the greatest comparative advantage in production have been deemed 'sensitive' by the developed countries and either excluded altogether from their schemes or subjected to severe restrictions.

3.25 As far as negotiations at the GATT are concerned, the special interests of developing countries were recognised in the Tokyo Declaration of 1973, which initiated the last round of Multilateral Trade Negotiations (MTN), when it was agreed that they would be given special and more favourable treatment whenever possible. But the developing countries were disappointed not only with the outcome of the MTN, but also with the manner in which decisions were reached. Unable to offer reciprocal concessions of any great value, developing countries lacked bargaining power in the negotiating process, much of which took place on a bilateral basis or among small groups.

3.26 This meant that at the MTN there was little real negotiation between North and South. In the tropical products sector, there were some unilaterally determined improvements in GSP schemes. But there was little improvement in the coverage of the GSP for industrial products. Moreover, under the Tokyo Round, the average depth of cut agreed by developed countries in mfn tariff rates on industrial products of particular interest to developing countries was less steep (a reduction of a quarter) than that on all industrial products (a reduction of a third), despite the relatively higher base rates of the first group. Tariff cuts on textiles, clothing, footwear and leather goods were especially meagre and, in some cases, nil.

3.27 Previous MTNs had been devoted almost entirely to reducing tariffs, but with the rise in importance of non-tariff measures the Tokyo

Round also gave some attention to these types of restriction. The results were disappointing for both the developed and the developing countries. Virtually no progress was made on the treatment of quantitative restrictions instituted under Article XIX (the main safeguard clause within the GATT) and through other means. The latter include not only the restrictions operating unofficially outside GATT auspices, such as voluntary export restraints, but also those under the Multifibre Arrangement which, though within the GATT, was not even considered at the MTN. These quantitative restrictions have become especially burdensome for developing country exporters who are facing them not only on those products in which their comparative advantage is greatest, viz. textiles, clothing and footwear, but also on an expanding range of other products, such as consumer electrical and electronic goods, in which many of their hopes for future growth lie. In the prevailing protectionist climate, the lack of agreement on a new non-discriminatory safeguard mechanism has particularly serious consequences for developing country exports.

3.28 The Tokyo Round was also expected to review the framework for conducting international trade and consider its improvement. In the event, the single achievement of the group set up to do this was to legitimise certain types of preferential treatment for developing countries and to clarify the meanings of certain terms such as 'reciprocity' and 'graduation'. Any substantive reform of the GATT would entail bringing within its rules and procedures the growing proportion of trade currently restricted by administrative devices outside its jurisdiction, and enforcing those rules and procedures in a manner which accords with GATT principles. An orderly trading system enjoying the confidence of all countries — including developing countries — must bring all trade barriers within the ambit of internationally accepted rules and procedures: multilateralism, non-discrimination (except for what is agreed multilaterally), transparency and predictability are the principles which should govern these rules and procedures. These principles are already enshrined in the GATT: the need is to get agreement that they should be applied to the rules and procedures which already exist and that the rules should be extended to cover trade in agricultural and a growing proportion of industrial products which currently escape them. This demands a greater measure of support for the GATT, particularly from the major trading powers of the North, than has been forthcoming so far. Any catalogue of ways in which the international trading system needs to be reformed and made more responsive to the special interests of developing countries is lengthy and substantive.¹ The special effort

1. See "Protectionism: Threat to International Order"; Report by a Commonwealth Group of Experts, 1982.

required to achieve these objectives would occupy more time than will be available at the forthcoming Ministerial Meeting of the GATT or even of UNCTAD VI; fundamental reform of the international trading system is therefore likely to remain on the international negotiating agenda for some time to come.

Other Selected Areas

3.29 There are many other areas relevant to the North-South negotiations. The main features of some that are of particular significance to the development of the South are discussed below.

3.30 The importance of transnational corporations (TNCs) as vehicles for investing in, and transferring technology to, developing countries is such that negotiations have been held or are underway on three international codes of conduct in this area. The size and power of some TNCs, relative to those of many developing country economies and governments, the amount and degree of sophistication of the technology and other expertise which they command, and the nature of their business methods, have led to some suspicion and mistrust by governments of developing countries who have sought to control the activities of these enterprises by internationally binding agreements. The objective has been to maximise the positive contributions of TNCs and minimise the difficulties arising from their activities. The TNCs are naturally concerned with protecting their investments and ensuring the security of production inputs and market outlets. They have thus sought guarantees of 'equitable' treatment in the countries in which they operate. In these endeavours they have generally received support from the governments of the countries (almost always developed) in which they are domiciled. While sharing some of the concerns of developing countries with regard to the operations of TNCs and recognising the need for some code of practice covering TNC operations, developed countries have tended to prefer voluntary and weaker codes of conduct.

3.31 Negotiations on a Code of Conduct for Transnational Corporations began at the UN in 1976. The main issues have concerned the basic objectives of the code, the respective rights and obligations of governments and enterprises, and the procedures for implementation. Although the negotiations have been protracted, considerable progress has been made in important provisions. Once agreed, the effectiveness of the code will depend, among other things, on the universality of its adoption and thus on its general acceptability; it will not be mandatory.

3.32 Closely related is the Code of Conduct on the Transfer of Technology, under negotiation at the UN since 1978. The main issues at

these negotiations have included the treatment of technology transfers between parent enterprises and their subsidiaries and affiliates, the law under which technology transfers should take place and disputes be settled, the legal nature of the code, and the rights and obligations of parties to technology transfers. Again the position basically is that, while the South has stressed the importance of state intervention and inter-governmental regulation, the North has generally sought to preserve the freedom of action of private enterprises supplying technology, which are almost always domiciled in and controlled from developed countries. However, considerable progress has been made in drafting, and it appears that a code can be agreed upon.

3.33 The third instrument concerns the set of principles and rules to control restrictive business practices, on which agreement was reached at UNCTAD in April 1980 after eight years of discussion and two UN negotiating conferences. Restrictive business practices arising from the activities of enterprises under common control or not able to act independently of each other (i.e. affiliates or subsidiaries of TNCs) are excluded from the Agreement, which is not mandatory. It is not clear, however, how far the Agreement will be effective in prohibiting, or even in some cases discouraging, the use of restrictive practices; in November 1981 doubts were expressed by an inter-governmental group of experts set up to undertake consultations on its operation.

3.34 Another area of great concern to the South has been shipping. This is vital to the conduct of international trade, and thus to development. Many Third World countries have been seeking a greater measure of control over, and benefit from, shipping through the development of their own merchant marines. They considered the present structure of sea-borne trade to have hampered this development and called for a code of conduct on liner conference shipping. Such a code was adopted at UNCTAD in 1974 (by 74 votes to 7, with 5 abstentions), but the required level of ratifications to make it operational has not yet been reached, although it may be soon.¹ Resistance has been met, particularly from some developed countries whose cross-traders have objected to the article of the code which would militate against their shipping carrying other countries' trade,² believing that it would introduce rigidities, reduce efficiency and reliability, and raise costs.

1. To become operational the code has to be ratified by at least 24 countries accounting for at least 25 per cent of world shipping tonnage. By 1982, 52 countries had ratified but they account for only 20 per cent of world tonnage.

2. This article states that the exporting and importing countries' shipping lines would each be entitled to carry 40 per cent of the goods traded between the two countries, leaving only 20 per cent to the shipping lines of third countries (the 'cross-traders').

3.35 There are two issues related to shipping on which negotiations have not yet progressed very far. On open registries ('flags of convenience'), no conclusive evidence has yet emerged on whether this system has prevented developing countries from building up their own fleets. On bulk shipping, there is no agreement as to whether the operations of major shippers have resulted in the erection of barriers preventing developing country lines from competing freely in tanker and bulk dry cargo trades. In both cases, the lack of progress so far has added to the frustrations of the South with the current state of the North-South negotiations.

3.36 A further area of international negotiation of particular interest to developing countries has been concerned with the sea and the resources which lie within and under it. Much has been achieved in this area and in April 1982, at the conclusion of the Third UN Conference on the Law of the Sea (UNCLOS), an overwhelming number of countries approved the draft text of a Convention covering all aspects of the uses and resources of ocean space.¹ Negotiations at UNCLOS were based on the principle of obtaining the widest possible consensus without taking formal decisions, and in many respects they were not based on rigid North-South considerations. A very large measure of informal agreement had been achieved before the United States, in August 1981, informed the Conference that it had serious objections to the deep sea-bed mining provisions of the draft text, negotiations on which took place on a North-South basis. The United States wanted greater influence in policy formulation and in the decision-making process in relation to the deep sea-bed regime and a commitment that any changes in that regime should be by consensus. It was opposed to the proposed transfer of technology from private mining companies to the international mining organisation envisaged in the draft Convention because it considered such a transfer would deter development of the deep sea-bed mineral resources. For the same reason it was also opposed to the proposed controls on the level of mining operations by national entities. Several other countries of the North shared some of the US reservations, notably with regard to permitting the majority of signatory states to amend the Convention in fundamental ways after it had been in operation for twenty years.

3.37 The lack of consensus on this part of the Convention reflected different economic interests of particular states at this juncture of the development of deep sea-bed mining. On the one hand, certain countries — all in the North and notably the United States — are

1. One hundred and thirty countries voted in favour of the draft, four opposed it (including the United States) and seventeen countries abstained (including six EEC members and all centrally planned economy countries of Eastern Europe).

reported to have already developed the requisite technology to mine the polymetallic nodules lying on the deep sea-bed, which offers the possibility not only of potentially lucrative operations by the mining interests involved but also of greater security of supplies of several strategic materials for the consuming countries concerned. On the other hand, many countries — particularly in the South but not exclusively so — do not wish to see all its benefits accruing to countries which now possess the capital and technology to exploit these resources; the resources of the sea-bed are regarded by them as “the common heritage of mankind”.

The UN System and the Global Round

3.38 Both North and South agree on the need to restructure the UN economic and social system but differ considerably in their approach. The South is dissatisfied mainly with the capacity of the system to deal with international economic problems which impinge on development; it views restructuring as a means of enhancing the collective influence of developing countries on the working of the system. The North stresses what it sees as a lack of coordination and efficiency within the system and of incoherence in its growth; it seeks institutional rationalisation and more efficient resource management; it also seeks to maintain its control over those areas of the system which it regards as vital to its interests.

3.39 Despite far-reaching proposals by an expert group established in 1974 by the UN's Sixth Special Session to make the UN system more responsive to the requirements of an NIEO, and notwithstanding a measure of agreement by an ad hoc Committee (open to all member States of the UN) which between 1975 and 1977 deliberated on the same subject, no substantive action has been taken on the crucial issues. A certain amount of restructuring has occurred with a view to increasing the efficiency of the system and the coordination of bodies and programmes within it. But nothing has been done to implement what many consider to be the Committee's main recommendation. This was that the General Assembly should be strengthened to allow it to function as the principal forum for policy-making in international economic and social matters, establishing overall strategies, policies and priorities for the entire UN system, and reviewing and evaluating developments in other UN forums. This recommendation had the full backing of the South, but the North had reservations. The United States considered the Assembly's role was “neither to negotiate precise agreements nor to place restraints on the negotiations in other fora”, which should maintain their own integrity.

3.40 The two positions are exemplified in the protracted, and so far

unsuccessful, attempts by the Assembly to agree on procedures to launch a Round of Global Negotiations on international economic cooperation for development. On the one hand the North has insisted that the negotiations should fully respect the jurisdiction, integrity, competence, functions and powers of the specialised agencies, which should in no way be subject to external control. On the other hand the South has maintained the position that the main Conference should play a central role in the Negotiations, with the specialised forums working on the basis of objectives and guidance provided by the Conference. The result has been an impasse.

3.41 Nor has there been any real movement towards implementing two other recommendations of the Committee. On one, to enable UNCTAD to play a major negotiating role in the field of international trade and related areas of international economic cooperation, the main resistance has been from the North. On the other, to revitalise ECOSOC to make it the principal arm of the Assembly in economic and social matters, the lack of progress has been due mainly to the reluctance of the South.

Overall Appraisal

3.42 There has been a considerable intensification of the North-South negotiating process over the last two decades. But while this has served to raise the international political status of the issues and to increase awareness of development problems, the overall record of the negotiations has been far from satisfactory in relation to objectives and needs. Some decisions have been made which have resulted in benefits to the South. For example, new institutions have been set up, such as UNCTAD, which highlights the needs of the South, or IDA and IFAD, which enable more resources to be transferred to the South; voting power has become less concentrated and some shift has taken place in favour of the developing countries, especially in new institutions such as IFAD; new arrangements have been set up, such as the GSP, to improve market access for certain products from developing countries; new facilities have been introduced, particularly within the IMF, or soon will be, as in the case of the Common Fund for commodities; and new agreements have been made including those on liner shipping, restrictive business practices and, most recently, the Law of the Sea, which could bring significant benefits to the South.

3.43 But the changes which have resulted from these decisions are we believe marginal in relation to the needs of developing countries and the requirements of a more orderly, cooperative and efficient international system. For example, developments and liberalisation in monetary and financial arrangements to accommodate the new circumstances of

developing countries have been slow and largely inadequate. The ODA target is far from attainment and the external debt situation is deteriorating. In commodities, the Common Fund is still to be established and its possible effectiveness is already being questioned, while the progress in implementing international commodity agreements has been most disappointing. In trade policy, new protectionist measures are increasingly being adopted against exports from developing countries, and no fundamental reforms to the international trading system are yet being attempted. Progress in improving the regimes for foreign private investment and technology transfer can at most be described as slow, as it has been in shipping. Moreover, institutional changes in the UN system and elsewhere to increase the effectiveness of the international system in dealing with development problems and to strengthen the negotiating process have been far too limited to provide a propitious environment for the North-South negotiations.

3.44 It must, therefore, be concluded that although the results of the massive efforts made over the last two decades have not been entirely negative the positive ones have been few. While sound national policies and self-help are imperative for the South, the wider interests of both the North and the South would be served if the North were to show a greater degree of accommodation in negotiations with the South on global institutional structures and economic policies, and on efforts to bring about a more equitable international system.