



# COMMITTEE FOR DEVELOPMENT PLANNING

## REPORT ON THE ELEVENTH SESSION

(7-16 April 1975)

ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS: FIFTY-NINTH SESSION

SUPPLEMENT No. 4

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New York, 1975

NOTE

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

The term "billion" is used throughout this report to signify a thousand million.

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## ANNEX

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## INTRODUCTION

1. The Committee for Development Planning held its eleventh session at United Nations Headquarters in New York from 7 to 16 April 1975. Eighteen members of the Committee attended the session: H. C. Bos, Ester Boserup, Nurul Islam, Paul Kaya, V. N. Kirichenko, Janos Kornai, Y. Z. Kyésimira, J. A. Lacarte, John P. Lewis, I. M. D. Little, J. H. Mensah, Saburo Okita, H. M. A. Onitiri, Jozef Pajestka, Guiseppe Parenti, K. N. Raj, Germánico Salgado and Leopoldo Solis. 1/

2. The Committee elected the following officers for its current term ending on 31 December 1977:

Chairman: Germánico Salgado  
Vice-Chairman: Janos Kornai  
Rapporteur: John P. Lewis

3. Substantive services at the session were provided by the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat. In addition, the Committee was assisted by the representatives of the secretariats of the Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific, the Economic Commission for Latin America, the Economic Commission for Africa, the Economic Commission for Western Asia, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the United Nations Environment Programme, the United Nations Development Programme, the United Nations Institute for Training and Research, the International Labour Organisation, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization, the International Bank for Reconstruction and Development, the International Monetary Fund, the World Intellectual Property Organization, the General Agreement on Tariffs and Trade, the European Economic Community, the Organisation for Economic Co-operation and Development and the Organization of American States.

4. The Committee adopted the following agenda:

1. Opening of the session
2. Election of chairman, vice-chairman and rapporteur
3. Adoption of the agenda
4. Preparation of comments and recommendations relating to the mid-term over-all review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade
5. Identification of the least developed among the developing countries

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1/ Chedly Ayari, Saeb Jaroudi, Alister McIntyre, Jean Ripert and Widjojo Nitisastro did not attend the session.

6. Assistance requested by the General Assembly in connexion with the report for its special session on development and international economic co-operation
7. Action on other relevant decisions of the General Assembly and the Economic and Social Council
8. Arrangements for future work
9. Adoption of the report of the Committee to the Economic and Social Council

5. The Committee decided to consider items 4 and 6 of the agenda jointly, and also to take into account in this context, as relevant, the decisions of the General Assembly and the Economic and Social Council which were brought to its attention under agenda item 7. The Committee expressed the hope that its views and comments on major development issues and policies in the framework of the mid-term review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade would also be of help for the work relating to the forthcoming special session of the General Assembly on development and international economic co-operation.

6. The Committee's deliberations were greatly facilitated by the notes prepared by its Working Group on the Mid-term Review and Appraisal - comprising H. C. Bos, Nurul Islam, John P. Lewis (Chairman), J. H. Mensah, Jozef Pajestka and Leopoldo Solis - that met at United Nations Headquarters from 10 to 14 February 1975. The Committee wishes to put on record its appreciation to the members of the Working Group.

7. The views, comments and recommendations of the Committee on the subjects discussed at its eleventh session are set out in the three chapters that follow. To assist it in its deliberations, in addition to the notes prepared by its Working Group, the Committee had before it a number of documents, including papers prepared by two of its members (I. M. D. Little and J. H. Mensah) and the United Nations Secretariat as well as reports of several organizations of the United Nations system. The titles and symbols of these documents are listed in the annex to the present report.

I. CRITICAL DEVELOPMENT ISSUES AND POLICIES:  
MID-DECADE REVIEW AND APPRAISAL

A. Towards a new economic order

8. The Committee at its eleventh session has been called upon to assess the current development situation in the light of two sets of standards - one, those of the International Development Strategy for the Second United Nations Development Decade (General Assembly resolution 2626 (XXV) of 24 October 1970), the other, those of the Programme of Action on the Establishment of a New International Economic Order (General Assembly resolution 3202 (S-VI) of 1 May 1974). The assessment must be a single one. Yet the duality of the criteria immediately suggests an element of paradox - of intertwining continuity and change - that will tend to enter any balanced appraisal of the present position. Indeed, one way to introduce the present report is to list as many as six paradoxes that the Committee has found itself identifying in the course of its discussions.

9. First: measured in aggregative terms, the collective performance of the developing countries in the first half of the Second Development Decade was quite good in certain dimensions - but the performance also was bad in vital respects, and the implementation of the International Development Strategy was very disappointing.

10. The next section notes the gains, for example, that the output and exports of the developing countries as a group recorded in the early 1970s. However, agriculture lagged dangerously; no real inroads were made on the key problems of mass poverty and unemployment; and - even though some broadening of disparities among the developing countries may be a necessary concomitant of progress that is faster in some than in others - the welfare gaps between developing countries widened alarmingly during the first half of the Decade. Moreover, so far as purposeful implementation of the International Development Strategy by the international community was concerned, the gains came more by inadvertence (that is, thanks to booming developed-country markets) than by design. In the fields both of trade and transfers there was little net improvement in policy, especially by the leading countries, and, indeed, some retrogression.

11. Second: despite the disappointing character of its implementation thus far, the Strategy still is an urgently important undertaking.

12. The Strategy has helped provide the conceptual framework for the series of explorations of such great transnational issues as environment, population, and food in which the world community has engaged in the past three or four years. Its diagnosis of problems and recommendations of policies continue to be generally valid. Its guidelines remain relevant. Thus the Committee sees little sense, at this mid-point, in attempts to recast or reorder the various numerical targets that the Strategy has set for the Decade. Where particular targets seem to have been overtaken by events, the following report says so. But by and large the Strategy should stand. It needs to be quickened, not replaced.

13. Third: on the one hand, the Programme of Action for the Establishment of a New International Economic Order adopted in 1974 can be interpreted as just such a quickening - as a consistent amplification - of the Strategy. Yet, it is also true that the enunciation of the principles of the New International Economic Order represents an historic break with the past, one which reflects a major realignment of power in the world.

14. The practical vocabulary of development policy has not changed. The measures, at least the types of measures, mentioned in the Programme of Action and discussed in this report are, for the most part, the same ones that have been discussed right along and especially from the beginning of this Decade. But as signalled by the proclamation of the New International Economic Order (in which, be it noted, advanced-economy Governments, both market and centrally planned, as well as developing-country Governments joined) the context has changed quite dramatically.

15. The enunciation of the New International Economic Order, no doubt, had a number of origins. Among them appear to have been the developing countries' accumulated frustrations and impatience with their long-standing dependence on the developed countries and with the results that the latter's continued dominance of international development decision-making had been yielding. Certainly the disarray of the "old" international economic order, especially after the breakdown of the monetary system in 1971, was a factor. So was the acceleration of international inflation, including, for those who had to import those commodities, of food, fertilizer and oil prices.

16. But a decisive factor in the emergence of a new order, surely, has been a major shift in political and market power. At the formal level this has been expressed by a new concerting of third-world majorities in the General Assembly - for example, in behalf of the New International Economic Order itself. But underlying this has been the remarkable increase in the resources and bargaining power commanded by the Organization of Petroleum Exporting Countries (OPEC).

17. OPEC would have had a major influence on what might be called "new-order strategy" in any case because of the model it set: it displayed the advantages of price-making as against price-taking; indeed, it suggested that, at least in the 1970s, market power could, under the right circumstances, be a far more potent technique than that of formal transfers for moving resources from developed to developing countries. But what has been even more central to the impetus towards a new order has been the reaffirmed solidarity of the third world. Its members recognize the widened economic disparities among themselves. But it seems to be their considered purpose - of the oil exporters as well as the oil importers - that the new resources and power of the former should be deployed to their collective advantage.

18. Given the solidarity, the new-order approach makes an unprecedented volume of fresh savings partially available for developmental uses in the third world generally, including the poorest, "most seriously affected" countries. Such redeployment of resources as well as improved trade and technical co-operation is embraced within the concept of strengthened collective self-reliance within the third world itself.

19. However, relations between the third world and the advanced market and centrally planned economies are still central to the New International Economic

Order. The new approach recognizes that the developing countries remain dependent on the developed. But conversely - and now more plainly seen in a world of finite space and non-renewable resources - dependency cuts both ways; the needs of the developed countries for supplies from the developing have become more critical. In large part, the Programme of Action concerns the management of these interdependencies.

20. As remarked, the content of the Programme of Action consists of familiar subjects. But in each case the new order poses the subjects on a new scale and with new urgency. This is true as to the need and potentialities for transfers, where, if the world's gaping income inequities are to be narrowed, the case for transfers from the "old rich" remains strong and the new OPEC resources for other third-world countries should be largely additive, not substitutional. The new order attaches new urgency, also to the case for trade adjustments between the developing and advanced economies as well as to the needed pace of developing-country industrialization.

21. Fourth: over the long run the New International Economic Order contemplates the developing countries growing more rapidly than the developed - and yet the worst threat to development just now is the problem of excessive slowdown in the advanced economies.

22. It is a mistake, the Committee believes, to interpret the philosophy of the new order as being simply or mainly redistributive in a static sense. It does not argue that the world's use of its scarce resources has reached its outer limits yet or call on the advanced economies to stop growing. It does call for a range of measures that, in a context of over-all growth, will progressively narrow the gross economic inequalities between countries and therefore permit consumption in the poor countries to keep rising relative to that in the rich countries.

23. But the problem, highlighted in this report, that recession in the advanced economies is posing for the developed countries now and in the period next ahead illustrates how carefully strategies for reducing international inequalities need to be worked out. It suggests that such strategies have a better chance of success in an environment of continuing expansion in the advanced economies. It therefore suggests that, properly conceived, the International Development Strategy must be genuinely global; it must extend also to development in the advanced economies. Meanwhile it is important, so far as it is feasible, to cushion progress in the poorer countries against cyclical swings in advanced-economy markets.

24. Fifth: the new order has quite rightly been emphasized as international - and yet the even more important issues for development in most cases remain internal.

25. There is some danger that the public and the elite in various countries may get caught up in the notion that a great surge of transnational redistributive justice in the world is about to lessen the need for internal reform. This is surely not the case. As the International Development Strategy itself correctly indicates, and as preceding reports of this Committee have emphasized, most of the dominant issues of development have to be thrashed out domestically. These include difficult but often essential needs for radical social transformations, for spurring agriculture, for broadening rural development, for mounting more effective direct attacks on the poverty and underemployment of weaker groups. International



redistribution offers no painless substitute for these required reforms. In most countries, in short, there is need for joining a new internal economic order to the New International Economic Order.

26. Sixth: although the first half of the Decade has been a period of turbulence and disappointment, and although the immediate outlook is for the condition of many developing countries to worsen, the balance of the Decade should be a time of greatly improved opportunities for development.

27. If it were necessary to extrapolate a combination of the policy trends of the early 1970s with the adverse twist which "stagflation" in advanced-economy markets is now injecting into developing-country terms of trade and export volumes, the outlook for development would be very dark. But, instead, the change in power and resource alignments that has emerged from the current turbulence presents a fresh opportunity for development. For some time, at least, the world will be doing an unprecedented volume of saving that is potentially deployable to development.

28. Much will depend, of course, on the manner in which the new opportunity is viewed and used.

29. In the case of the developed countries there is need for realism. A realignment of power indeed has occurred; the New International Economic Order is a phenomenon, not just a slogan; attempts to turn the clock back are likely to be only disruptive, not successful. While bargaining on behalf of their own consumers, the developed countries should recognize the legitimacy of the developing countries' seeking to exercise market power. It is important that the advanced economies accept their continuing equity obligations to assist development, especially in the poorest countries and, beyond that, see the gains vis-à-vis their own interdependency problems which can flow from making the New International Economic Order work.

30. The burden now on the developing countries to exercise their augmented power in a constructive and, as far as feasible, congenial manner is at least as great. The cause of development has once again, in an important sense, captured the world's attention. New resources are available for its support, and new tools are more capable than before of being crafted. If all parties can now be reasonably pragmatic and co-operative in their approach, the situation has much promise.

B. The Second United Nations Development Decade  
at mid-point: a retrospective look

31. The first three years of the Second Development Decade were eventful. The Bretton Woods system broke down in 1971. In 1972 there were widespread harvest failures and a boom in demand combined with rapidly accelerating inflation for both developing and developed market economies. The following year saw massive changes in relative prices. From January 1973 to January 1974 oil prices rose 4.5 times, bringing them to a level 6.5 times higher than the average for 1970. The corresponding figures for wheat were 2.0 and 4.0. These were quantitatively the most important changes in their effects on the balance of world trade and payments. Data for the fourth year, 1974, are very incomplete. But it has been characterized by a reversal of the rise of most commodity prices, and by recession combined with continued rapid inflation in the developed market economies.

32. Yet many of the main aggregative targets for the Second Development Decade were met or exceeded, whether despite or because of the turbulence. Thus for the first three years the gross domestic product of developing countries rose by the target 6 per cent per annum. Since there was no significant change in the over-all rate of growth of population from the approximate 2.5 per cent per annum which prevailed in the 1960s, this implied a rate of growth of real income per head of about 3.5 per cent per annum. The quantity of exports rose by 8 per cent per annum as compared with the target 7 per cent. There were large increases in reserves, which were widely spread. Although this was partly due to borrowing, the ratio of debt-service payments to exports was reduced for about half the developing countries, as well as for developing countries in the aggregate. The measurement of savings in developing countries is very unreliable, but the indications are that the over-all ratio in 1973 exceeded 20 per cent, which was the target for 1980; however, if petroleum-exporting countries are excluded, the ratio is well below 20 per cent.

33. But there were major failures as well, of which much the most important were in the output of food and in the continued inability of developing countries to provide sufficient employment. Agricultural production grew at only about 2 per cent per annum, considerably less than the rate of population growth. After an average year in 1971, harvests failed in 1972 in many areas, especially in the USSR and in South Asia and the Sahel. The harvest failures led to heavy purchases from the world market by countries with sufficient foreign exchange reserves to enable them to do so: this led to a rise in food prices which affected the ability of some less developed countries to buy enough for their needs. Transport and other difficulties also helped to prevent sufficient deliveries to the Sahel. As a result there was widespread distress and some starvation in these areas. Food production recovered in 1973, but not enough to prevent a further serious deterioration in the stock position. Total stocks of cereals (excluding China and the USSR) have fallen from around 200 million tons in 1970 to about 100 million tons in 1975.

34. Largely as a result of the agricultural failures, income distribution has worsened in many countries. Nor has there been any alleviation of the employment situation. The labour force in developing countries is growing at about 2.1 per cent per annum, and the increase in employment opportunities is generally failing to keep pace. Industry has made little contribution. In part this is due to the small industrial base. But there is also evidence of a continued trend towards more capital-intensive technologies and products, with a corresponding drop in the labour input per unit of output. This is not universally true, however. A few countries have shown that it is possible to combine high rates of growth of industrial production and exports with a rapid increase in industrial employment.

35. Although the green revolution may on balance have increased the demand for labour in agriculture in certain areas, there can be little doubt that many millions have found employment or quasi-employment in agriculture or services only at low levels of living. The employment situation would have been better if agricultural production had not lagged.

36. The combination of inadequate world production of food and inadequate employment opportunities has, especially in South Asia, resulted not merely in a worsening of income distribution but in a very large increase in the number of people living below the poverty line, some indeed dying of starvation. The

failure of internal production and the inability to buy enough grain at very high world prices were exacerbated by breakdowns of the public distribution system in Bangladesh and India. Many people who could not find adequate employment were unable to buy enough food for survival at free market prices.

37. While the figures for 1974 are as yet incomplete, it seems that the first half of the year was sufficiently good to ensure that, in developing countries as a group, over-all progress was maintained. Preliminary indications are that gross domestic product rose by 5.6 per cent in developing countries, despite the fact that output in the developed market economies was stationary for the year as a whole. Industrial production rose by 8 per cent, but the recession in the developed market economies was reflected in the very low increase in the quantity of exports (2 per cent) from developing countries. However, the value of exports more than doubled to \$230 billion, which is 4.2 times the level of 1970. This was largely the result of the oil price rises. However, non-oil exports also rose by 150 per cent in this period, to a level of about \$90 billion. Total imports almost trebled to a figure of \$151 billion. But 1974 was another bad year for agriculture - output rising by only 2 per cent in the developing countries, there again being setbacks in South Asia. Moreover, there was hardly any increase at the world level, so that stocks were further reduced.

38. The terms of trade of developing countries taken as a whole improved during 1971-1973 and jumped in 1974 largely as a result of oil prices. But this jump was not true for a number of countries, including Argentina, Bangladesh, Brazil and India, nor for most countries in the second half of the year. On the whole it has been the most populous countries which have suffered. Thus estimates made by the secretariat of the United Nations Conference on Trade and Development (UNCTAD) suggest that as many people lived in countries which had lost from price movements in the period from 1970 to 1974 - that is, during the year as a whole - as lived in countries which had gained. This implies that many more would have lost than gained by the second half of 1974, and this will be far more marked in 1975.

39. Aside from the reservations covering agriculture and employment, there are two essential and sobering observations to be made concerning the performance which has been noted. The first is that the successes, so far as external factors are concerned, have been based very largely on the extremely rapid increases in demand generated by the developed market economies in 1972-1973. This ballooning of demand could not last indefinitely, even if it had not been pricked by the oil price increases of the autumn of 1973. It was the boom in the developed market economies, and not any change of heart or policy on their part or on the part of the centrally planned economies towards developing countries which supported the successes of 1971-1974. Although these years saw the fairly wide introduction of generalized (but limited) special preferences, there were also retrograde steps in the field of trade relations. Apart from other non-tariff barriers, bilateral restrictions on imports of textiles were increased, which led to their multilateralization and codification under the Arrangement Regarding International Trade in Textiles. On balance, it does not seem that trade policies contributed anything significant to the export boom. In the field of aid, official development assistance has barely kept pace with inflation, and in real terms it has fallen both in relation to the number of people in developing countries, and in relation to the gross domestic product both of donors and recipients. The total flow of resources in the 1970s has so far amounted to 0.7 per cent of gross national product against the target of 1.0 per cent: official development assistance was still farther below target, 0.32 per cent against 0.70 per cent. Only a handful of the

smaller European countries seem even to be working towards achieving the target. Imports by the centrally planned economies from developing countries were stationary in terms of value (in transferable roubles) in the first two years of the Decade, but jumped in 1973 so that for the whole period 1971-1973 the value grew at about 10 per cent per annum. This was slower than the rate of growth of the total value of imports into the centrally planned economies, so that the proportion suffered by developing countries fell. In 1973 less than 5 per cent of developing-country exports went to the centrally planned economies. Aid commitments doubled as compared with the late 1960s: there are no figures available for disbursements, but they probably rose significantly.

40. The second observation is that the over-all performance hides extreme disparities. Of course, it is almost always the case that an average hides important variations, and in any case one should not expect progress to be uniform. But during this period the divergencies have been altogether exceptional. Thus during 1971-1974 the gross domestic product of West Asia grew at over 11 per cent per annum and that of the rest of Asia grew at less than 4 per cent per annum. The Western hemisphere and Africa lie in between, with Latin America above and Africa below the average of 5.9 per cent per annum. In South Asia the rate of growth has scarcely exceeded that of population. Even within continents there are marked divergences. Mineral exporters, and the smaller countries which have concentrated on manufactured exports, have done particularly well: but those affected by war and political upheaval, as well as many of the land-locked and those which began the period with very low incomes per head, have fared badly.

41. Disparities of income levels as between countries within the third world, have been widening for some time. The tendency will have been greatly accelerated in the early years of the Second Development Decade. A limited number of oil-producing countries have attained very high incomes per head without as yet being "developed", since it must take many years for the health and education of a population, as well as the physical infrastructure, to rise to the levels usually associated with the incomes per head which these countries now enjoy. There are other countries with lower incomes per head, and also poor oil-exporting countries such as Indonesia and Nigeria whose prospects have greatly improved. But most of the least developed countries, together with the South Asian countries, which include most of the third world's poorest people, suffered from the world price movements of 1973-1974. In some cases, non-oil commodity price rises helped to offset or more than offset their increased oil bills (for example, India was helped by the sharp rise in the price of sugar); but this offset has ceased to operate during 1975 as the price of one commodity after another has fallen back. The prices of many of the commodities which are, on balance, imported by developing countries (for instance, wheat, rice, fertilizers) remain relatively high as compared with those exported (for example, copper, rubber, coffee).

42. There are some features of the early 1970s which cannot be brought out by contemplating the performance of countries or the implementation of policy measures envisaged in the programmes anticipated for the Second Development Decade. Double-digit inflation, once the preserve of a few Latin American countries, has become the rule. This coincided in 1973-1974 with very heavy current account deficits. For particular countries these deficits have various causes. From a statistical point of view they necessarily correspond in the aggregate to the OPEC-country surpluses.

43. Faced by inflation and severe balance-of-payments problems, the Governments of most developed market economies have been unable to maintain very high levels of employment and output, while also endeavouring to moderate inflation. The pressure of inflation, which is undoubtedly internally generated to a very considerable extent (even if exacerbated by the import price increases), probably has been more of a barrier to maintaining full employment than have attempts to cope with oil-related payments deficits. Inflation now appears to be moderating a little in most developed market economies, although it is doing so conspicuously only in countries where unemployment is highest.

44. The breakdown of the Bretton Woods system preceded the most rapid acceleration of inflation. But the two phenomena are intertwined in the sense that no return to the Bretton Woods system would be compatible with the combined maintenance of full employment and pursuit of reasonably open-door import policies (that is, policies which are in the best interests of developed and developing countries alike) unless a solution to the problem of excessive inflation can be found. No immediate solution is in sight for the developed market economies. The problem has proved to be much more manageable for the centrally planned economies.

45. There is no complete analysis available which would enable us to balance accurately all the effects of the inflation in the developed market economies on the third world. But it seems likely that zeal in combating inflation now, if this has to be by restricting expenditures rather than by controlling or moderating income payments, may be harmful to developing countries. The recession has already resulted in falls both in the prices of commodities and in quantities imported. Although this will not necessarily go further - the fall in commodity prices has flattened out since the last quarter of 1974 - it already means that the situation for many developing countries will be much worse in 1975, since the prices they pay for imported manufactures will probably continue to rise. At the same time, it is still unclear whether, over the long run, advanced economy inflation tends to raise the prices of manufactures relative to those of primary products. More work needs to be done on this subject. But no such doubt attaches to the impact of advanced-economy recession on the developing countries: it is costly.

46. Apart from inflation, the other great problem which has emerged and was not of course envisaged at the time of the formulation of the Second Development Decade guidelines, is that of dealing with the enormous payments imbalances arising from the quadrupling of oil prices from early 1973 to early 1974, and of finding acceptable means of payment of non-OPEC countries for the oil which they want.

47. The payments problems of the developed market economies have been solved so far mainly by heavy short-term borrowing, although a small amount of long-term investment in industry and real estate has begun. Some developing countries, such as Brazil, have also been borrowing very heavily in the Euro-dollar market. Countries, including the most seriously affected by the oil price rises, have been assisted by the oil facility of the International Monetary Fund (IMF) and by the United Nations Emergency Operation. Disbursements to developed and developing countries under the 1974 oil facility of IMF amounted to about \$2.5 billion. According to one estimate, total OPEC assistance to developing countries, including funds flowing through international agencies, amounted to over \$5 billion in 1974.

48. In part no doubt because of such financing, the more industrialized of the developing countries seem to have escaped recession to a much greater extent than

the countries that are members of the Organisation for Economic Co-operation and Development (OECD). Preliminary estimates show that industrial production in the developing countries rose by 8 per cent in 1974, compared with no average increase at all in the OECD countries.

49. More progress needs to be made by both developed and developing countries towards using the surplus funds of some of the OPEC countries for new productive investments. It is in the interest of lenders and borrowers alike that loans (whether long- or short-term) should be backed by real investments that will earn the interest which has to be paid. It is also in the interest of the rest of the world that OPEC countries should be able to find direct investments which will yield them a positive real rate of return after taking account of expected inflation. Otherwise, they are likely to want to produce less oil in the future than is desirable.

### C. Emerging policy priorities

#### 1. Linkages among development policies

50. The present, it has been suggested, is a season of alarm and uncertainty but also of opportunity for development policy. It is a time for a concerted push on priority issues. This objective situation and the procedural massiveness of the review and appraisal exercise both persuade the Committee that its own best course in this report is to focus on a small selection of key problems. To do so responsibly, however, it is necessary to indicate not only the reasons for the selection but how the items chosen relate to the broader canvas of development policy. It may be useful, also, to enter brief comments on some of the more important subjects not selected for intensive discussion.

51. Like the world economy itself, the agenda for development policy is laced with linkages and interdependencies - including many that interconnect efforts in the poorer countries with the efforts and policies of the international community. Chosen for emphasis in the following subsections are four policy sectors of this sort:

- the promotion of developing-country agriculture, which, on the one hand, fans out into the whole terrain of rural development and also engages the subject of internal food collection, marketing and distribution; and on the other hand, links with external efforts to assist agricultural development as well as to gather, stock and distribute food;
- domestic and international measures designed to promote appropriate industrialization in the developing countries;
- policies by which the developing countries, the advanced and centrally planned economies, and multilateral bodies all affect the commodity and other trade of the poor countries; and
- measures (which must be acceptable to and sought by the recipients) for augmenting useful net transfers of capital and technology to the developing countries.

52. In the present report the Committee departs from the segregated treatments of national and international measures that it has provided previously. In the subsections which follow, the national and international aspects of the four subjects just listed are examined jointly. These four elements of the development problem, of course, are not the only ones that could be so treated. But each shares two characteristics. Each is a matter of particular urgency if the present opportunity for reinforcing development is to be successfully seized. This is overwhelmingly the case with food and agriculture, but it also applies to the other topics. Secondly, each of the four is a subject on which a large part of the essential decision-making in the years next ahead will be explicitly international; its outcome will turn heavily on the foreign economic policies of external Governments or on the actions of multilateral organizations.

53. A number of other equally critical policies will lie more completely, if not exclusively, within the ambit of unilateral national government decision. Such measures, of course, have just as important a place within a genuinely comprehensive global agenda for development. Therefore, although the emphasis of this report is skewed towards cross-cutting national-cum-international measures, the Committee wishes also to mention briefly some of these national policy priorities.

54. In the first place, and most obviously, much will depend upon the national policies of the poor countries themselves. To the limited extent it is possible to generalize across countries, such national policy needs were dealt with thoughtfully in the International Development Strategy. Yet during the first half of the 1970s, as the three preceding reports of the Committee have suggested, 2/ development priorities have shifted in many developing countries. During the balance of the decade these altered emphases should be maintained and deepened. Thus a diversity of Governments espousing a diversity of official ideologies can be expected to press more direct and effective attacks on mass poverty and unemployment. Many will find reason to accord a higher, more reliable priority to agriculture while at the same time taking pains to assure that their agricultural development serves the needs of the rural low-end poor. Similarly, in most developing countries Governments will and should be seeking factor-price, technological and other adjustments that will more effectively promote labour-intensive activities.

55. During the balance of the Decade Governments presiding over the majority of the developing world's population will be seeking better acceptable means for restraining fertility - convinced that in their cases the so-called natural "demographic transition" is unlikely, unassisted, to come quickly enough to meet their needs for effecting a population-resources balance. At the same time, many Governments are likely to observe the evidence that has been accruing in a number of developing regions indicating a symbiotic relationship between diminishing fertility and such dimensions of individual and family welfare as maternal and child care, nutrition (especially of younger children) and other factors leading to reduced infant mortality, and literacy (especially female). The implication is that

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2/ Official Records of the Economic and Social Council, Fifty-third Session, Supplement No. 7 (E/5126), chap. I; *ibid.*, Fifty-fifth Session, Supplement No. 5 (E/5293), chap. I; and *ibid.*, Fifty-seventh Session, Supplement No. 4 (E/5478), chap. I.

population restraint can best be promoted as an element of a rounded anti-poverty and social-development programme.

56. Governments of developing countries should be concerned to mobilize the untapped resources already embodied in their existing populations, broadening their employment in rural public works and other labour-intensive production, reinforcing low-end incomes, raising health and nutrition standards and improving "human capital formation" by increasing the access of disadvantaged groups to systems of more relevant formal and non-formal education. Governments will recognize the close dependency of all of these matters on the adequacy of food supplies to the poor. Many will find it advantageous to seek broader patterns of participation not only in employment but in the activation of social development efforts and the formulation of social decisions. In many countries during the balance of the Decade there will be a growing accent on administrative and spatial decentralization, on narrowing rural-urban gaps, and on keeping the altered organizational patterns cohesive and socially efficient.

57. Finally, it is to be hoped that in all developing countries during the latter 1970s Governments will be devoting increasing attention to that large fraction of the population which still, in most countries, represents the greatest untapped reservoir of developmental energy, potential skills, and leadership - namely, the female half of the population. It is not, of course, that women are idle in most families, villages, regions, or countries; on the contrary, many of them work exceedingly hard, especially in rural areas. But their effective opportunities for escaping illiteracy, gaining education and engaging their native talents in modernization processes still are substantially constrained in most places.

58. The second set of internal national policies that will bear heavily on the prospects for the developing countries during the balance of the Decade are those of the more advanced economies, both market and centrally planned. The success with which market economies now grapple with their painfully elided problems of inflation and recession will determine in good part the early opportunities for expansion of exports from developing countries, for increased transfers of financial resources, and for implementing in the advanced economies, adjustment measures aimed at facilitating a better international division of labour.

59. As noted, inflation, although aggravated by import price increases, is primarily an indigenous problem in most advanced market economies. It reflects the escalating interaction of demand-pull and cost-push factors. As also noted, advanced economy recession, with the twist it is administering to the developing countries' terms of trade as well as its dampening of their exports, is the greater immediate threat to the developing countries. Development has an interest, therefore, in seeing the advanced economies adopt swift and effective anti-recession measures that are not excessively enervated by anti-inflationary concerns. Put the other way around, it has an interest in the successful contrivance of anti-inflationary programmes, notably, of more effective incomes policies, that are not excessively dependent on retardation of aggregate demand.

60. At the same time, the developing countries rightfully are gravely concerned about the dislocations inflicted by world-wide inflation. Whatever its net terms-of-trade and balance-of-payments effects on them, country by country, it aggravates their own inflationary processes and distorts resource allocation. High rates of inflation erode monetary savings and hurt the development of efficient financial



markets. Thus the developing countries have a stake in the prudence with which the advanced economies combat recession. Even more obviously, it is important to them that the advanced economies, as the latter try to cope with their three-cornered problem of recession, inflation, and payments deficits, not resort to restrictions of imports from developing countries.

61. As remarked earlier, the centrally planned economies thus far have largely escaped the price turbulence of recent years. Economic growth in the USSR and the Eastern European socialist countries has continued without significant slowdown and is expected to persist in the next years as well. Since these countries have significant and expanding trade with developed market economies and developing countries, the accelerated inflation abroad may have some further reverberations on internal prices. Nevertheless, the socialist countries have been generally successful in preserving the stability of their price systems. Growth and stability provide favourable conditions for strengthening the linkages with developing countries. If industrial and agricultural production and consumption increase according to the plan targets, this should raise the demand for goods imported from developing countries. At the same time, since growth will be associated with further industrialization and technical progress, the socialist countries should be able to export more machinery and equipment, supply more technical assistance, organize more technical co-operation.

## 2. Agriculture, food policies and rural development

62. It has been indicated that during the first four years of the Second Development Decade in the developing countries as a whole agricultural production grew at only about half the rate of 4 per cent per annum which the International Development Strategy had called for. Food production per capita actually declined. This very disappointing performance not only threatens the feasibility of the Decade-long targets in agriculture but is badly unbalancing and impeding other aspects of development.

63. Recent experience has helped to correct the excessively optimistic expectations generated by the high rates of agricultural growth achieved in the period 1967-1970. It has brought out clearly the magnitude of the effort needed for agriculture to perform its necessary role in the development process. But one should not draw unduly pessimistic inferences. Just as a run of good weather contributed significantly to the high growth rates achieved earlier, climatic factors have been responsible to a large extent for the depressing performance of agriculture in the first half of the present Decade.

64. Yet there is no ground for complacency. Without a clear appreciation of the obstacles to be overcome, and renewed efforts to overcome them, agriculture will remain a serious drag on development and prevent any significant dent being made on the problems of mass poverty and unemployment in many countries. The outlook differs from region to region.

65. Information about the output of subsistence crops in Africa is not adequate for firm conclusions to be drawn about the rate of increase of food production. However, it appears that during the first four years of the Decade the increase in food production in Africa was slower than in any other region. The drought

conditions between 1972 and 1974, especially in the Sahelian areas, already have been noted. This experience is bound to influence Governments to increase their emphasis on domestic food production. Assuming that the weather will not immediately repeat the conditions of the past few years, it can be expected that food output will improve and that Africa's dependence on imported food will be reduced.

66. In South Asia, where the food problem has assumed serious dimensions, the momentum gained earlier by the introduction of high-yielding varieties of wheat and a few other crops has been lost to a considerable extent. In addition, there are severe constraints imposed by the area of cultivable land available, extent of dependence on rainfall, and the limits to extension of surface irrigation. Nevertheless, there are also many factors on the positive side: irrigation is being extended in many parts of this region at a faster rate than before; intensive research has begun into ways and means of raising agricultural yields in arid areas, and there are distinct possibilities that the production of rice will rise fast enough in areas with subsoil water to keep up with the growth in the demand for it. With intensified effort in these directions, and more strenuous exploration of the possibilities for using organic manures as well as chemical fertilizers, there is no reason why there should not be a marked improvement in agricultural performance in the second half of the Decade.

67. Although food production has increased more rapidly in Latin America than in Africa and South Asia, population growth is particularly rapid in this region and per capita production has declined. Moreover, many of the most impressive production increases have been in export crops produced in large farms, and have thus contributed little to the incomes and levels of living of the mass of poor people in rural areas. Conditions in the densely-populated Andean areas of Latin America are particularly serious.

68. Shortage of chemical fertilizers has been generally an obstacle in many developing countries seeking to expand agricultural production. The situation in this respect has however improved lately. It seems unlikely that in the years just ahead adequate supply of chemical fertilizers will be as serious a constraint as in the past two years. However, this is no excuse for the international community to relax the efforts to even out the growth in world fertilizer production that began to be projected seriously at the World Food Conference (5-16 November 1974). Lacking such efforts, the world will remain threatened with successive rounds of glut and scarcity that are especially costly to the progress of agriculture in the developing countries.

69. Taking into account all the relevant factors, the annual rate of growth of agricultural output in developing countries set as the target for the Decade appears to be still a feasible one. The target for the Decade as a whole is now unlikely to be attained, but an annual rate of 4 per cent per annum can be achieved in the second half of this period given the necessary mobilization of resources. This would require in many countries larger allocation of investible resources for agriculture, more efficient use of the infrastructure already created, and organizational and institutional changes of a far-reaching nature. Failures on the agricultural front can have extremely serious consequences.

70. A feature of agriculture that has been coming into prominence of late is the intensity of fluctuations in output in many parts of the world. This has had, and

will continue to have, serious repercussions unless remedial measures are taken. It is difficult to say whether the amplitude of the fluctuations is getting wider. Some factors, at least, including meteorological possibilities and the high degree of sensitivity of the new high-yielding varieties of grain to availability of water, point in this direction. In any event it is only prudent to assume that major fluctuations of output will continue - and will affect increasing numbers of people. For this reason we attach the utmost importance to arrangements for building up food reserves, in particular, at all levels: local, national, regional and global.

71. The case for building up such reserves gains strength not only from the fluctuations in output but from the tendency of most communities (which is possibly increasing) to draw on whatever reserves they have access to during periods of food shortage, in order to maintain their levels of consumption. If this tendency is not accommodated by adequate stocks available for being drawn upon, violent price rises will, intermittently, prove unavoidable. The impact of such price rises inevitably will be harshest on those of the poorest and the most vulnerable who do not share in the associated gains in farm incomes.

72. Steps for building up food reserves at both local and national levels have been taken in a number of countries, including China and Mexico. Care has to be taken to diversify the location and decentralize the administration of the storage facilities in order to spread their benefits. What has been achieved in Mexico, where a network of warehouses has been built to make the food-grain stocks available for meeting local needs, is capable of being emulated in other developing countries. The Mexican warehouse system is managed as a tool of the Government's agricultural marketing policies. The system purchases from the farmers to maintain agricultural support prices; it sells agricultural commodities, farm inputs and household consumer goods, in order to keep trade margins within reasonable bounds and avoid unnecessary price fluctuations in rural areas; and it extends consumer credit to farmers trading at the warehouses so as to avoid their dependence on local money lenders and speculators. The investment required to build the facilities and the administrative costs of its operation are said to be well below the funds that would be required to maintain support prices of crops grown by commercial farmers. Other countries no doubt would wish to experiment with variations, including a greater role for co-operatives having broad participation by small farmers. In any event the key concept seems to be a substantial investment in decentralized stocks that are efficiently managed to social, not private, account.

73. At the international level there is a case for building up reserves for two kinds of purposes: one for price stabilization within agreed limits and the other to take care of emergency situations created by drought, floods, etc. Reserves held at the local and national levels, it must be emphasized, cannot be a substitute for reserves of food that must be held at the international level, any more than reserves held at the international level can be a substitute for reserves held at the local and national levels. The co-ordinated system of national stocks agreed at the World Food Conference must therefore be complemented by international measures of a safe level if world food security is to be achieved. International reserves should be earmarked for use in those low-income countries in which cereals are used mainly or exclusively for human consumption, since countries at higher income levels are able to avoid shortage of cereals for human consumption by

cutting back on the use of cereals as fodder for animals. It would seem appropriate to increase the cereals and cash grants received by the World Food Programme and devote a share of them to the building and financing of such international stocks.

74. Available supplies for food aid hitherto have been a residual of commercial operations in the world market. Crop failures or shifts in demand therefore have had the effect of drastically reducing them; and improvisation and uncertainty have been the result. Food aid should be placed on a firmer footing, less affected by swings in world trade in food grains, price fluctuations, and short-term contingencies. Besides rebuilding grain stocks - at the national and international levels - the international community should therefore agree on longer-term commitments on food transfers and food aid. The agreement reached at the World Food Conference on the forward planning of food aid, and with a minimum annual target of 10 million tons of cereals (Conference resolution XVIII), represents an important step forward. Food-surplus countries should plan, ahead of time, production targets that incorporate their future deliveries of food aid and earmark them for control and allocation by the appropriate international decision-making bodies. Five-year programmes of food aid production and delivery, as well as parallel financing mechanisms, should be worked out by all countries concerned to insulate food aid from the vagaries of international trade in these commodities.

75. It also should be added that the establishment of reserves at regional and international levels, and the assurance that additional supplies will always be purchased at specified minimum prices by one or other of the holders, will offer incentives to agricultural producers who may otherwise be discouraged by the prospect that higher production will depress external market prices below remunerative levels.

76. It is clear that the strong emphasis given here to food aid and to the establishment of adequate cereal stocks implies a much more important role for food production in the developed countries than was envisaged when the International Development Strategy was proposed. Policies to restrict production in some of these countries contributed to low food-grain output in 1972. It is essential that food supplies from the developed countries should be available for food aid and for the replenishment of stocks until the developing countries can sufficiently step up their own food production.

77. Apart from cereals, special attention needs to be given to pulses, which are today the main source of proteins for millions of poor people. There has been no major technological breakthrough yet in this sphere to offer the prospect of high enough returns to producers. As a consequence there has been a rather alarming decline in the availability of pulses. Not only must research efforts to raise yields be strengthened but all other ways of increasing the availability of proteins, including enrichment of staple foods at the plant-breeding and processing stages, need to be explored. In this connexion, the scope for extending low-cost production and consumption of proteins from animal sources (for example, fish, poultry products and pork) should be systematically examined.

78. The present discussion has focused mainly on problems posed by food shortage. However, problems affecting agricultural raw materials produced by the developing countries - including their relationship to domestic food production and their vulnerability to disruptive price fluctuations in external markets - are of

comparable importance for a number of countries. For this reason, it is evident that stabilization of food prices should be examined in the context of stabilization of the prices of agricultural raw materials competing for the same scarce resources. Reference to this problem is made later in the section on trade. Moreover, parallel measures designed generally to stabilize the export earnings of developing countries would assist food deficit countries to purchase adequate food supplies from the world market.

79. Preoccupation with shortages in the supply of food-grains in developing countries should not be allowed to overshadow the companion problem of raising rural incomes through measures for expanding the output of export crops and livestock and forest products. Development of such products may be the most feasible means of obtaining rapid increase in rural incomes in a large number of countries which are at a low level of economic development but have access to urban areas and in other countries in which the markets for such products are growing. It is important - especially for many of the least developed countries - that import restrictions on agricultural products of this nature be removed by the developed countries.

80. Finally, it must be emphasized that no programme of food production or storage can by itself solve problems of malnutrition without other measures, taken simultaneously, to raise incomes all round and reduce inequalities in the distribution of income and consumption. The food intake of the poorer segments of the population, particularly of agricultural labourers and farmers with small holdings, has recorded little improvement even in periods of relatively rapid growth of food production in developing countries. More recently their levels of consumption have suffered to an extent they have hardly been in a position to bear. If these strata of society in the developing countries are not enabled to increase substantially their food intake, the basic thrust of the International Development Strategy will have been lost, and this danger will remain even if the rates of growth of food output in the latter half of the Second Development Decade come up to the targets set. For this reason it is of the utmost importance that measures for improving production performance in agriculture are integrated with more comprehensive programmes of rural development based on far-reaching institutional changes. The Committee has had the occasion to draw attention to the crucial role of land reforms in developing countries. It is necessary to reiterate that they are essential not only to introduce elements of change and dynamism into the social structure of these countries but to make possible national and scientific utilization of all available resources. This implies that land reforms will have to be reinforced by measures for consolidation of holdings and the efficient use of land, water, manpower, etc.

81. There is a close interrelationship between progress in agriculture and other rural development. If there is little or no development of social and economic infrastructure in rural areas, including rural transport facilities and marketing, agriculture remains a subsistence activity and the youth migrate to urban areas in the hope of earning money incomes and benefiting from the recreational, educative and other facilities, which are unavailable in their rural areas.

82. If, by contrast, an integrated programme of agricultural and other rural development is undertaken, and offers employment opportunities and better incomes to youth of both sexes, the gap between incomes and facilities in rural and urban areas will be reduced. This will help to reduce migration and the oversupply of

labour in urban areas. In many developing countries a vicious circle of low agricultural productivity, poor rural infrastructure and urban unemployment can only be broken by a co-ordinated programme of agricultural improvement and other rural development.

83. One of the facilities, which is lacking in most rural areas, is elementary health services. In many countries not more than 10 or 20 per cent of the rural population benefit from such services. It is widely agreed that there is a close link between access to health services and rural progress, and it is of extreme importance for developing countries to establish primary health services in rural areas, characterized by simplified technology with a combination of preventive, promotive, curative and rehabilitative components, as well as family advisory services. Expansion of elementary health services, supported by special nutritional programmes (such as for children in schools), cannot only make a perceptible difference to rural poverty in some of its most acute forms, but make an important contribution to the development process.

84. Rural development creates not only additional opportunities for wage and salaried labour for both men and women, but may also improve the opportunities for earning money by self-employment. In view of the steady and rapid increase of rural population of working age it is very important to enlarge the opportunities for self-employment in agriculture, other small enterprises and rural services, and to raise the productivity in these types of activities. If possibilities for earning money incomes by self-employment in rural areas are improved not only for men, but also for women, this will help to raise family incomes and thus curb the outflow of migrants, which overfill urban labour markets and urban slums.

85. There are many means to improve the productivity of and opportunities for self-employment in rural areas. The most important are reforms of the agrarian structure and extension of credit and other services to the rural population which focus on assistance to small farms and other types of rural self-employment. Very often, rural extension and other agents are concentrating too much on the promotion of modern inputs in agriculture and on the needs of the larger farmers. A reorientation towards assistance to improvement of productivity in rural low-income groups, both in and outside agriculture, could help broaden development and provide income gains for those groups of the rural population who need it most.

86. The most serious problem in rural areas in several countries remains, however, that of inadequate employment for high proportions of the population wholly or largely dependent on wage employment. The Committee has earlier drawn pointed attention to this problem which lies to a considerable extent at the root of mass poverty in these countries, and emphasized the need for taking up programmes of public works and rural industrialization on a large enough scale. It is essential to reiterate the great importance of such measures and the extremely serious consequences that would follow if adequate attention is not given to them. But the scope for progress in these directions would depend crucially on the whole approach to agriculture and rural development and the extent to which the rate of growth of output of food and raw materials can be accelerated in these countries.

87. It would be wrong to conclude this section without brief mention of certain environmental aspects of the development of agriculture. Though fertilizers are indispensable for increasing food production, excessive use of chemical fertilizers has been found detrimental to soil fertility. Increased attention has to be given,

therefore, to more extensive and effective use of organic manures. Organic manures have been found an effective and necessary complement to chemical fertilizers in many countries, particularly in the tropical regions. Greater use of organic fertilizers in developing countries will also reduce dependence on imports and stimulate the more effective use of available local resources. Even more serious than the excessive use of chemical fertilizers have been the effects of destruction of forests and exposure of the thin layer of fertile soil in tropical regions to erosion. Developing countries cannot ignore these aspects of agricultural development without jeopardizing their future.

88. Recent experience in some parts of the world has also shown that if catastrophic situations, such as the drought in the Sahel and the recurrent drought and floods in some regions of Asia, are to be avoided in the future, the international community will have to undertake on a high priority basis large-scale infrastructural improvements in such areas of the world, particularly for the exploration and efficient management of water resources. Such efforts may well require new and innovative institutional arrangements.

### 3. Industrial development

89. Industrialization is vital for the economic and social progress of the developing countries. It is largely through industrialization that traditional societies find the means to expand, diversify and modernize their economies, to provide increasing employment opportunities and supplies of some basic goods to their peoples, and to augment trade and thereby promote a better international division of labour. Indeed, it is in this sense that the Committee, in its last report, characterized industrialization as the centre-piece of the development process. <sup>3/</sup>

90. Industrialization is beginning to acquire some momentum in the developing world and, despite the current dullness of world market prospects, there appear to be significant new opportunities which need to be seized. Grounded on already developed industrial bases and experience, these opportunities derive from the increased ability of the developing countries to control and use more efficiently their raw materials and from the new financial resources of the OPEC group that may be available to a broad array of developing countries. Given will and insight, these opportunities can lead to a breakthrough in the industrialization process.

91. The Committee looks with sympathy on the aspirations of the developing countries to accelerate their industrial progress. The Second General Conference of the United Nations Industrial Development Organization, held at Lima in March 1975, provides the most noteworthy recent illustration of these aspirations. Acceleration of industrial progress in the developing world should be fitted into a framework of long-term development of the world economy that seeks the most effective use of the world's resources for the benefit of the whole of humanity. Through a series of international development strategies, designed and implemented within a coherent long-term development perspective, it should be possible to bring about a more rational and just pattern of productive activities in the world.

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<sup>3/</sup> Official Records of the Economic and Social Council, Fifty-seventh Session, Supplement No. 4 (E/5478), para. 12.

92. The Committee has already, in its last report, put forward in some detail its views and recommendations on principal aspects of industrialization in the developing countries. After drawing lessons from recent experience, it described in that report the needed goals and patterns of industrialization and, what is more important, their implications for national policies by developing countries, for joint action by these countries and for policies by the international community in favour of the developing countries. Those views and recommendations remain pertinent and, rather than repeat them, the Committee simply wishes to draw attention to them.

#### 4. Trade policies

93. The unfavourable trends in the aid effort of some major donors in the first half of the Decade and the certainty that demand for the exports of developing countries will be depressed for a good part of this second half of the Decade have now made it imperative that the changes in trade policy envisaged in the International Development Strategy be implemented speedily. Failure to reform the international trade system in favour of developing countries will put rapid growth out of the reach of most of them, whatever advances are made in other areas of policy. Such changes in trade policy should form an integral part of industrial co-operation schemes for those of them which, owing to the pattern of their resource endowment, will continue to have deficits in food and other essential goods. Greater opportunities for exporting to developed countries are an indispensable component in the long-term answer to the sort of violent balance-of-payments crises they recently have experienced.

94. The recession in the prices of most primary commodities that began in mid-1974 will greatly worsen the trade position of many developing countries in 1975 and after. Thus, balance-of-payments difficulties could slow down progress in the third world during much of the rest of the Decade. Even on a favourable assumption that average 1975 prices of the commodity exports of developing countries do not fall below the level of January, that oil prices remain unchanged, and that prices of manufactured goods rise by about 15 per cent over the 1974 level, the UNCTAD secretariat has estimated that the terms of trade of the non-oil exporting developing countries will deteriorate almost 15 per cent between 1974 and 1975. Assuming also, for illustrative purposes, that there were no change in import and export volumes, the over-all trade deficit of these countries would rise from \$29 billion in 1974 to \$41 billion in 1975.

95. The deteriorating trade prospects for developing countries over the immediate future is also confirmed by a recent estimate by OECD that its member countries could expect to gain as much as \$7.5 billion in 1975 through a deterioration in the terms of trade of non-oil exporting developing countries. OECD forecasts a decline of 6 per cent in the volume of imports by its member countries from non-oil exporting developing countries in 1975. Moreover, estimates made by the World Bank indicate the likelihood that the terms of trade of most developing countries will decline in the second half of the 1970s, and that the import capacity from exports of these countries will grow at rates well below those consistent with the attainment of the economic growth targets of the Second Development Decade. Unless export opportunities of developing countries are substantially improved, a serious aggravation of the debt-service burden of these countries can be expected.



96. The expected tendency of the advanced market economies to defend the jobs of their nationals against the threats of recession by putting obstacles in the way of competing imports from developing countries already has emerged. While this may be largely a by-product of restrictions on competition among the advanced countries themselves, little care has been taken to exempt the products of developing countries from such restrictive measures - contrary to various undertakings to that effect. Similarly, the impulse towards increased investment by enterprises of developed countries in production facilities in developing countries to supply the companies' markets currently is very weak.

97. All this makes it imperative that effective measures be deployed by the international community, not only to meet the emergency needs of the countries worst affected by recent developments, but also to effect more fundamental improvements in the conditions of trade of developing countries, designed to ensure that their export earnings grow in real terms at a rate adequate to support their economic development programmes. The trade policy measures called for by the International Development Strategy, by and large, have not been implemented up to now. They consisted essentially of improvements in market access supported by appropriate adjustment assistance measures by developed countries, agreements to reduce instability in primary commodity trade, the elimination of private restrictive business practices and the greater use of trade promotion by developing countries.

98. As regards market access, very little improvement has been achieved since 1970 in reducing barriers to the export trade of developing countries in primary commodities. Many of these trade barriers in developed countries are one element in a wider set of income support policies for the farming community, so that their reduction or elimination would have repercussions for domestic economic and social policies. But the barriers often violate formal international commitments; further, part of the cost of farm income support in developed countries is borne by developing countries in the form of reduced exports and depressed prices of commodities for which they have a comparative advantage. A concentrated effort is now required within the context of the multilateral trade negotiations in the framework of the General Agreement on Tariffs and Trade (GATT) to produce significant reductions in this set of trade barriers.

99. Up to now, international efforts to achieve greater stability in primary commodity markets have had little success. International commodity agreements now exist for six commodities - sugar, coffee, cocoa, wheat, olive oil and tin - but only that for tin continues to incorporate economic provisions, and even these did not prevent prices from rising well above the agreed maximum during the recent boom. There is still no comprehensive international system to ensure a reasonable degree of stability in the major commodity markets.

100. The Committee already has addressed itself to the most urgent of all the potential components of an international commodity system - that involving the assembly and management of adequate food-grain reserves. Other components that now can be envisaged include (1) the establishment of producers' agreements, both regional and interregional, on other raw materials and food-stuffs to regulate supplies (such as those relating to coconut, rubber and pepper in Asia and ground-nuts in Africa); (2) the formalization of separate agreements between importing and exporting countries for individual raw materials and food-stuffs, in which suitable price levels and other favourable export conditions would be

balanced by supply guarantees; and (3) the financing of commodity production and stocks utilizing the increased income of oil-exporting countries as proposed at the Conference of Developing Countries on Raw Materials, held at Dakar from 4 to 8 February 1975. However, the approach upon which the Committee would focus attention in this report is (4) the UNCTAD proposals for an integrated programme for commodities <sup>4/</sup> which, because of its importance in the framework of a New International Economic Order, call for a serious examination by all concerned.

101. The UNCTAD proposals involve principles for the management of international commodity trade that have long been advocated. Their revival is made more urgent by the reversal of the favourable positions that commodity prices had attained in 1973-1974. It is to be hoped that the reforms now have become more feasible as the result of greater concern on the part of developed countries to assure supplies of essential raw materials for their own industries in the future. The principal elements of the scheme are as follows: (a) a series of international stocking arrangements for a wide range of commodities; (b) a common fund for financing the holding of stocks; (c) a system of multilateral commitments among buyers and sellers for purchases and sales over specified periods and within agreed price ranges; (d) as a supplement, a vastly expanded and revised system of compensatory financing; and (e) a new thrust in the field of the processing of primary commodities. UNCTAD has urged that priority be given to the establishment of internationally managed stocks of 18 commodities.

102. In the field of manufactured goods, a major policy change was the acceptance by developed countries in 1968 of the principle of tariff preferences on imports from developing countries. However, preferential schemes that have been instituted since then are severely limited in application by restrictive conditions regarding product coverage, the level of "ceilings", the degree of preference, and the size of preferential tariff quotas. To exploit the full potential of tariff preferences, these restrictive conditions will need to be substantially relaxed. And consideration should be given to making tariff preferences a durable feature of the trade policies of developed countries since otherwise they cannot impart a strong impulse to investment in the developing countries.

103. In recent years, non-tariff barriers have become more important than tariffs as impediments to the expansion of exports of manufactures from developing countries. The Strategy calls for the relaxation and progressive elimination of such non-tariff barriers. But there has been little progress - and, indeed as in the case of textiles and some other manufactures - some retrogression in this regard. As to multilateral trade in general, the Tokyo Declaration of 14 September 1973 contains a number of objectives and procedures intended to favour the exports of developing countries. The Declaration also provides for an examination of the adequacy of the multilateral safeguard system and of the possibility for co-ordinated reduction of trade barriers in selected sectors, as well as the possibility of the application of differential measures providing special and more favourable treatment to developing countries. Unless these questions are satisfactorily resolved, taking into account the specific trade problems of the developing countries, the negotiations will not in the end bring about a substantial improvement in trading conditions for developing countries. The multilateral trade negotiations, therefore, will constitute a critical and practical

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<sup>4/</sup> See TD/B/530, paras. 36-52.

testing ground for how serious the world is - not just the developing countries but the developed as well - about the establishment of a New International Economic Order.

104. The Strategy also called for the adoption of measures by developed countries for assisting the adaptation and adjustment of industries and workers to facilitate an expansion of imports of industrial products from developing countries. Only a few developed countries in fact operate adjustment assistance policies relating to import competition. Mostly, these policies are designed to improve the competitive position of domestic industries, rather than to facilitate the deployment of resources away from products which can be produced more cheaply in developing countries.

105. Nor have any internationally agreed measures been adopted to regulate, if not eliminate, those restrictive business practices, notably, prohibitions of exports by subsidiaries or their restriction to specified markets, by which some transnational corporations have adversely affected the exports of developing countries. Since transnational corporations account for an important part (probably nearly one half) of the manufactured exports of developing countries, such constraints can substantially retard the export earnings of host countries. The Committee urges that the efforts, now begun, to define generally acceptable norms governing this and other aspects of the operations of the transnational corporations as they affect the developing countries be vigorously pursued.

106. The International Development Strategy did not lay down clear-cut targets concerning the contribution which the centrally planned economies could make towards the achievement of its objectives in the matter of improving the trade of developing countries, which have accordingly not shared adequately in the growth of their imports. Since the centrally planned economies have increased so substantially their share of world production and trade - and with this, the standard of living of their people - they could now provide major markets for third-world exports of a number of primary products as well as processed and manufactured goods. Moreover, their planned system of trade makes it possible to conduct such trade in a particularly orderly and predictable way. The socialist countries should therefore make provision for the expansion of their imports from developing countries as a whole over the rest of the Decade. They should also participate in schemes for reorganizing the developing countries' trade in primary commodities, such as that proposed by UNCTAD, as well as in the international food reserve system.

107. Reference has been made earlier to economic co-operation among the developing countries. The few cases of successful, and growing, schemes of economic integration among certain developing countries show the possibilities for mutual benefits that exist, and throw into sharp relief the failure of most developing countries to join in such arrangements - or even to preserve in good working order all the economic groupings which existed at the beginning of the Decade. Given its low starting point, increased trade among developing countries cannot be viewed as a major weapon for dealing with the immediate trade difficulties those countries face. But it is one of the most promising ways of getting a start in industrialization in an efficient manner and of obtaining an increased share of world trade in the medium term. Unless a start is made soon, especially by the large number of small and medium-sized developing countries, to institute co-operative arrangements with their neighbours, including the joint programming

of appropriate areas of investment and the fullest liberalization of trade among the partner countries, the second half of the 1970s could also pass without the majority of these countries having built a secure foundation either for industrialization or for increased participation in world trade.

108. The leaders of the developing world have been aware of the benefits that could accrue to their own people from greater co-operation with neighbouring countries in the field of trade and in the development of transport, industry, agriculture and other activities. What seems to hinder progress is, on the one hand, a marked weakness in the political will to co-operate, leading to slow progress in the many schemes towards integration that have been mooted and to the stagnation of some schemes that had already been set up, and, on the other hand, a shortage of projects which are ripe for implementation and around which serious commitments can be made.

109. Developing countries also frequently have declared their interest in co-operation between countries in different regions for the promotion of trade, industry, transport and technology. But so far they have not been able to accomplish much in these areas. The increased financial resources of the oil-exporting countries and the policies which they have adopted towards political and economic co-operation with other developing countries offer new opportunities that should be pursued vigorously. The flow of financial resources from oil-exporting to oil-importing developing countries is already sizable; and when eventually it is switched from short-term balance-of-payments support to long-term investments, as is generally desired, it could make a great impact if directed systematically towards projects which serve to produce goods for exchange among developing countries and to transport and finance the trade in such goods.

110. The oil-exporting countries themselves have become a huge market for consumer and producer goods which so far has been exploited almost exclusively by developed countries. The projects which will be financed by them in other developing countries could also become a large source of demand for investment goods and other requisites which could be produced in other developing countries, including the oil-exporting countries. The opportunities for a fruitful triangular relationship between oil exporters' capital, the human and natural resources of other developing countries and the markets and technological resources of the developed countries seem to be particularly promising, especially as a means of promoting more rapid industrialization. The Committee urges that every assistance be given by international agencies so that these opportunities can be seized.

111. The actions that could most usefully be undertaken by the international community in support of the developing countries' initiatives towards increased co-operation would seem to consist, first, of technical contributions in project preparation. The success of the Cartagena Agreement of 26 May 1969 involving the Andean group of countries in Latin America is seen to be built on technical work of considerable depth. The balance between general identification studies and more detailed planning in the work of the United Nations Development Programme (UNDP) should continue to be shifted so that this work can produce more immediately usable inputs into negotiations between Governments. Secondly, the orientation of financial assistance from bilateral, multilateral and regional sources in both the developed market economies and the socialist countries towards promoting greater co-operation among developing countries should be increased, if

only because in many cases this would increase the developmental efficiency of such aid. From the developing countries themselves the commitment to remove all tariffs and non-tariff obstacles to trade between them, if necessary on a preferential basis, and to develop the infrastructure needed for such trade should be seen as one of the main contributions which they can make towards their own development in a spirit of collective self-reliance.

#### 5. Financial and technical co-operation

112. The slow growth of aid in the early 1970s and the currently deteriorating conditions in international markets for exports of developing countries mean that, if the objectives of the Second Development Decade are to be achieved, substantial additional efforts have to be made to transfer resources - to meet both the short- and long-term requirements of the developing countries. Unless the short-term resource gap, which is mainly a foreign exchange gap, is met, the structural adjustments necessary in the developing countries, as well as the breathing-space they require for a more intensive mobilization of their own resources, cannot be undertaken. Hence their long-run growth prospects also will be in jeopardy.

113. The United Nations Emergency Operation for meeting the balance-of-payments gap of the most seriously affected countries - most strongly affected by the oil crisis - and the 1974 oil facility of IMF, recently extended to 1975, are a highly valuable response to an urgent need. The continuation of the Fund oil facility on an expanded basis beyond 1975 is essential, and its scope should be kept under constant review. Moreover, the proposal for the establishment of a special account in the Fund, in order to reduce the burden of interest charges for the most seriously affected countries, should be implemented as soon as possible. There is a need for additional measures, such as those designed to expand and make more flexible the extended Fund facility for medium-term loans to enable the developing countries to cope with the balance-of-payments problems while they undertake structural adjustments in production and trade. It will be well to differentiate the terms of access to the extended Fund facility of different groups of developing countries because of the differences in their export prospects, degrees of import-dependence, and their import structures.

114. The Committee is impressed with the probable need for changing a number of the existing IMF rules. The scope of the compensatory financing facilities should be broadened to compensate, not only for a fall in export earnings due to causes outside the control of the recipient country, but also for a rise in import prices and a fall in the terms of trade (a fall which has been drastic for some poor countries in the past year or so). The Committee welcomes the recommendations of the Interim Committee of the IMF at its January 1975 meeting that "quotas of the major oil exporters should be substantially increased by doubling their share as a group in the enlarged Fund and that the collective share of all other developing countries should not be allowed to fall below its present level". In view of general agreement that the special drawing rights (SDRs) of the Fund should gradually replace gold as a reserve asset, increased quotas should not necessitate fresh contributions in gold.

115. There is an intermediate category of financing, which has both short- and long-term implications for economic growth of the developing countries. This involves the financing of buffer stocks of primary commodities. This should

supplement and reinforce the other short-term measures of financial assistance suggested above. The IMF facility for financing buffer stock operations has not been used to any significant degree during the five years of its operation. The reasons for this have to be carefully examined. Presumably they include the fact that such financing is only available (a) when joint international agreement by producers and consumers has been reached and (b) when the participating countries are willing to contribute to the financing of such schemes. Moreover, such IMF financing is related to buffer stock arrangements for individual commodities and not for collections of commodities as suggested by UNCTAD. The World Bank, the Fund and the oil-exporting countries with surplus resources can contribute to the funding of such an arrangement. In order to enlarge the use of the Fund facility for this purpose, the Committee urges an amendment of the Fund Articles of Agreement which would permit the Fund to provide assistance directly to international buffer stocks of primary commodities.

116. In spite of the slackening of economic expansion in many developed countries and the consequent need for adjustments in internal economic structures, the target of official development assistance at 0.7 per cent of gross national product should be retained. This is all the more necessary in view of the expected deterioration of the terms of trade and increased debt-service burden of developing countries pointed out in the preceding section. The Committee notes, however, that this target is unlikely to be reached unless the aid commitments of developed countries are substantially greater than can be presently envisaged. The aid target represents such a small fraction of the normal increment in the income of the developed countries or, what is even more pertinent, such a small fraction of the normal increment in their consumption, that there does not seem to be any rationale for not fulfilling it. Moreover, it is necessary that the advanced countries strive to reach and maintain an average grant element of at least 84 per cent, with a higher grant element for the least developed countries. The experience of the 1960s and early 1970s has clearly shown the justification for additional aid to "hard core" developing countries - that is, countries where problems of poverty and under-development are pronounced. In the past aid has helped a substantial number of developing countries in breaking the poverty circle. While aid is still needed, many of these countries are increasingly coping on their own with development problems.

117. For those countries in which mass poverty is still pervasive and the need for aid is the greatest, absorptive capacity has to be increased. To that end technical and financial assistance should be provided as much during the investment as during the pre-investment stage, in connexion with the identification, feasibility, engineering design, construction planning and the initial operation and management of projects. A more liberal policy should be adopted towards local cost financing, including that of national experts, in cases where prudent judgement suggests that project efficiency would gain thereby, and where the absence of such financing by the host Government is due to factors other than the assignment of inadequate priority to the project in question. Governments and institutions in the recipient countries should be increasingly entrusted with the responsibility for executing projects, under the supervision of the technical assistance agencies concerned. In training or research programmes financed by external sources, maximum use should be made of the facilities existing within the requesting countries on the basis of agreed remuneration. These changes will require adjustments in the policies and procedures of the UNDP and other technical assistance programmes.

118. In the past year, a situation has emerged in which a new group of countries - that is, the oil producers - many of them with sharply higher incomes and remarkably increased liquidity, are in a position to contribute substantially towards meeting the resource gap of the poor countries. The OPEC countries have demonstrated their willingness to transfer significant resources within the short period of one year. Their aid commitments to developing countries in the first nine months of 1974 amounted to \$8.5 billion, both bilaterally and through multilateral channels. Of the bilateral commitments, one third went to the most seriously affected countries. In addition, OPEC members and some industrialized countries have committed 3 billion SDR to the new oil facility of IMF and a further \$2.1 billion to the World Bank as a loan. Disbursements from commitments have also picked up. According to one estimate, aid disbursements from OPEC countries during 1974 totalled \$2.5 billion or 1.8 per cent of their gross national product. Many oil producers, either jointly with other oil-producing countries or singly, have set up development funds for loans to poorer Arab States, as well as to the other developing countries. What remains now is to supplement these efforts within an international framework in order to ensure both that individual developing countries are able to cope with their oil deficits, and that the developing countries collectively receive additional resources comparable with their increased oil deficits, thus ending the perverse transfer of funds from them to developed countries through the present recycling mechanism.

119. Except when they themselves are explicitly providing concessional finance, the oil producers want safe investments, and at high rates of return. A mechanism has to be found by which the surplus funds of the oil producers and the technology of the industrialized countries can be put together for the development of the poor countries. The purpose can be achieved in various ways: by the rich countries or institutions in the rich countries borrowing from the oil producers at commercial rates and lending to the poor at subsidized rates; by interest-rate subsidies financed either by the profits or revaluation of the gold holdings of IMF; or by combined direct contributions from industrialized nations and oil producers.

120. There should be increasing scope for investments by OPEC countries in export-oriented industries in other developing countries, particularly in cases where such industries could provide OPEC countries with needed imports and where the latter countries could provide an assured market for future years. There should also be scope for industrial development ventures in other developing countries, as well as for the provision of additional transport, insurance and credit facilities for the expansion of trade among the developing countries concerned. Special consideration might be given to assistance for specific multinational projects prepared in the framework of regional or subregional international groupings. It may well be possible for the developing countries concerned to make use of UNDP funds to finance feasibility studies for specific projects. The oil-producing countries have so far shown preference for project loans over programme loans. It is to be hoped that they will show increasing willingness to provide the latter - or sector loans, which combine the features of project and programme loans - in order to facilitate the quick disbursement of funds urgently needed by the poorer countries.

121. The aid of the Eastern European countries and the USSR has also contributed towards long-term economic development. The further expansion of the aid provided by centrally planned economies can assist in solving the economic problems of the developing countries. Apart from co-operation on a strictly bilateral basis, it is to be hoped that the International Investment Bank of the Council for Mutual Economic Assistance will in the future undertake development projects in the poor countries.

122. All industrialized countries will need to continue to play a leading role in the field of development assistance either on their own or jointly with the oil-producing countries. An important way in which the traditional donors can effect a transfer of resources is by means of liberal reschedulings and/or cancellations of past debts. The drastic deterioration in the external economic environment facing developing countries presents a strong case for a generalized exercise in rescheduling or even writing off certain debts. It should be possible to initiate discussions between donor and recipient countries to identify or define debts which qualify for postponement or liquidation, thereby avoiding undesirable consequences for credit worthiness or the future debt policy of developing countries.

123. In the field of international development assistance a clearer distinction than in the past should be made between groups of developing countries in terms of their access to resources. The middle-income developing countries can become less dependent on concessional assistance. This type of assistance, which is going to be in short supply in relation to demand, should be concentrated on the poorest countries, whereas middle-income countries should be able to borrow at nearly commercial rates. This is where the concept of the "third window" of the International Bank for Reconstruction and Development (IBRD) becomes relevant. Funds would be dispensed on terms softer than the usual IBRD terms but harder than the terms of the International Development Association (IDA).

124. Access for the middle-income developing countries to the capital markets in the economically advanced countries has to be considerably liberalized. This may require legal and institutional changes. Furthermore, it may be necessary to devise mechanisms for (a) guaranteeing the borrowings of the developing countries in these capital markets and (b) subsidizing the commercial rates at which funds are available in the capital markets of the developed countries. Private capital markets in the advanced countries have received heavy flows of funds from the oil-exporting countries. The existing financial institutions are having great difficulty in matching the maturities of their borrowings and lendings. Thus further new mechanisms need to be built to channel funds from private capital markets to long-term investment in the poor countries. A multiplicity of lending institutions or financial intermediaries for the flow of funds to the developing countries is not necessarily undesirable. It may accommodate the diversity of circumstances confronting the various groups of developing countries. Moreover, it increases freedom of choice, and leaves room for flexibility and adjustment to particular circumstances. Competition among financial institutions in innovating techniques of lending can be healthy. The greater the degree of automaticity with which resources can be transferred to the developing countries, the greater the possibility of ensuring not only a larger flow but also more appropriate forms and terms of resource flows. In this context, it may be mentioned that the January 1975 meeting of the Intergovernmental Group of 24 on International Monetary Affairs has reconfirmed the importance of the "link" between the creation of SDRs and development assistance. In view of the state of current world liquidity, creation of additional SDRs may not take place in the near future; however, the importance of the "link" as a source of finance for development in the long run should be borne in mind.

125. Current negotiations on the future of gold in the international monetary system should take particularly into account the interests of the developing countries. Attention should also be given in this context to the possible uses of the gold holdings of IMF. The current gold holdings of IMF are worth \$6 billion



at the official rate but several times that figure at the prevailing free market price. It is necessary to devise a method to make the most effective and practical use of these IMF resources for long-term lending, in particular to the developing countries. The technical and legal aspects of the future of gold are under study. A number of ways are conceivable for using the profits accruing from a revaluation of the gold holdings of IMF in order to provide loans on a longer-term basis or to subsidize interest rates on loans.

126. Once again, the Committee calls attention to the importance that the rent which could be derived from the exploitation of the resources in the sea-bed has as a potential source of finance for the development of the poor countries. Recognizing that resources in the sea-bed are the common heritage of mankind, it is urgently important that mechanisms be found to make use of these resources for the benefit of the poor countries. There are two available approaches to the use of the sea-bed resources. First, an international agency could license multinational or national enterprises to exploit the sea-bed resources on payment of fees or taxes. Secondly, an international agency could directly extract the resources, profits accruing from such exploitation being allocated among the nations of the world according to some predetermined criteria. Whichever is chosen, it is urgent that pursuit of this issue not be allowed to fall victim to inertia while "privateering", either by private enterprises themselves or by nation States, makes selfish inroads on the world's common ocean and sea-bed resources.

127. There is one by-product advantage that a number of the new, augmented, and/or reformed modes of transfer advocated in this report would have. In so far as savings now accruing to OPEC countries are deployed to developmental uses in other third-world areas and are used for purchases from advanced economies, procurement will not be tied to particular sources of supply. The same should be true of sea-bed royalties, of the proceeds of genuine debt adjustments and/or cancellations, of resources generated by a revaluation of IMF gold, of the SDR "link" if and when that becomes feasible, and of other augmentations of multilateral flows. All should be untied as to source of procurement. This, by broadening competition among suppliers of capital and other aid goods, can significantly increase the value of given financial magnitudes of assistance. Tied aid may have been a necessary evil during the past two decades. But a progressive liberalization of flows in this regard can enhance their effectiveness.

128. Finally, there is a possible source for the development needs of the poorer countries - namely, reduction in armament expenditures by the advanced economies, and, indeed, by the developing countries themselves - whose potential importance is inversely related to the length of its treatment here. This is far too complicated a subject for the Committee to grapple with in this report, but the subject deserves more effective attention than it has yet received.

## II. IDENTIFICATION OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

129. In response to General Assembly resolution 2768 (XXVI) of 18 November 1971 and Economic and Social Council resolution 1726 (LVIII) of 28 July 1972, the Committee considered at its eleventh session, as a follow-up on the comments made in the report on its ninth session, the question of identification of the least developed among the developing countries. To assist it in this review, it had before it a paper prepared by the Secretariat (E/AC.54/L.72). The Committee was also informed of a communication received by the Secretary-General from the Transitional Government of Cape Verde requesting that Cape Verde be considered for inclusion in the list of least developed countries.

130. The question of identification of the least developed among the developing countries remains a very difficult one because of the multiple dimensions of development which lead to differentiation of countries and the absence of adequate data. The main criteria used when the exercise was first carried out - per capita gross domestic product, the share of manufacturing in total output, and the literacy ratio - have some limitations. But (with some updating, detailed in the Secretariat's paper, to take account of the intervening inflation and expansion of the world economy) they still provide a serviceable basis for drawing broad inferences. The application of those criteria to the latest available information suggests that four countries - namely, Bangladesh, the Central African Republic, Democratic Yemen and the Gambia - could now be added to the list of the least developed countries approved by the General Assembly in resolution 2768 (XXVI). The latest information might also suggest that two or three countries currently on the list should be deleted. However, the Committee is of the view that an abrupt removal from a list approved in the framework of policy measures for the Second Development Decade would not be desirable, and therefore that no country at present included should be dropped from the list during the remainder of the Decade.

131. The Committee wishes to reiterate the view expressed in its earlier reports that the list of the least developed countries should be used in a flexible and pragmatic manner. This view has been greatly reinforced by developments since the launching of the Second Development Decade. It is clear that countries and their needs are differentiated in a variety of dimensions. International policy-making bodies will wish to remain fully cognizant of this variety to adapt action programmes to it. In the course of its own work, the Committee will be attempting closer analyses of the differences among developing countries in order to differentiate more confidently the policy recommendations that it advances for different groups of countries.

### III. ARRANGEMENTS FOR FUTURE WORK

132. In the light of the discussions held at its present session on the mid-Decade review and appraisal of progress, the Committee believes that deliberations at its next session should concentrate on two topics that warrant a systematic examination by virtue of their intrinsic importance and the policy needs that experience since the beginning of the Second Development Decade has brought to the fore. Accordingly, the Committee has decided to place the following two items on the agenda for its twelfth session, to be held in 1976:

- (1) New approaches to transfer of resources to developing countries (including discussion of debt problems and mechanisms for resource transfers);
- (2) Hard core developing countries and related policy issues.

In addition to documentation to be prepared on specific aspects of these two topics, the Committee would like to receive from the Secretariat a progress report on major studies on long-term planning and projections under way in the United Nations system and, as far as possible, in other institutions.

133. The Committee has also decided to convene two working groups in the latter part of 1975 to deal with the two topics mentioned in the preceding paragraph and prepare draft reports on them for consideration by the Committee as a whole at its twelfth session. Each of these working groups will consist of seven members, including some co-opted members whose expertise on the topics to be dealt with can be very helpful to the Committee. The need for co-opting such members was stressed in the reports of the Committee on its ninth 5/ and tenth 6/ sessions. The Committee has initiated arrangements for these working groups within the total resources available to it for 1975.

134. The Committee has taken note that the decision of the Economic and Social Council not to consider any report exceeding 32 pages, as stipulated in its resolution 1894 (LVII), will also apply to the reports submitted to its subsidiary bodies. Further, the Committee has noted the Council's wish that all its subsidiary bodies should exercise the utmost restraint in making requests of the Secretary-General for new reports and studies. The Committee will continue its endeavour to keep its own reports to the Council brief and topical, with concentration on subjects of critical importance. In general, the Committee also prefers the documents prepared for its use to be relatively short. At the same time, however, it must be stressed that the subjects the Committee has to grapple with often require a great deal of technical and empirical information, along with systematic analysis, which cannot always be encompassed in a document of 32 pages. The Committee therefore expresses the hope that it will continue to have the possibility of commissioning for its specialized use documents of a greater length as and when required.

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5/ Official Records of the Economic and Social Council, Fifty-fifth Session, Supplement No. 5 (E/5293), para. 115.

6/ Ibid., Fifty-seventh Session, Supplement No. 4 (E/5478), para. 143.

## ANNEX

## LIST OF DOCUMENTS

<u>Symbol</u>	<u>Title</u>
A. <u>Documents of the Committee</u>	
E/AC.54/13	Provisional agenda
E/AC.54/L.69	Perspectives for the second half of the Second United Nations Development Decade: paper prepared by I. M. D. Little, member of the Committee
E/AC.54/L.70	Development problems and policy needs during the second half of the 1970s: paper prepared by J. H. Mansah, member of the Committee
E/AC.54/L.71	Decisions of the General Assembly and the Economic and Social Council relevant for the work of the Committee for Development Planning at its eleventh session: note by the Secretariat
E/AC.54/L.72	Identification of the least developed among the developing countries: a review in the light of recent information: paper prepared by the Secretariat
E/AC.54/L.73 and Add.1, Add.2 and Add.2/Corr.1	Mid-term review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade: preliminary report of the Secretary-General
E/AC.54/L.75	Multilateral institutions for providing financial and technical assistance to developing countries: paper prepared by the Secretariat
E/AC.54/L.76	Environmental impacts on the growth and structure of the world economy: paper prepared by the Secretariat
E/AC.54/L.77	Mid-term review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade: health sector: report of the World Health Organization

Symbol

Title

E/AC.54/L.78

Mid-term review and appraisal of the Second United Nations Development Decade: The International Labour Organisation, the International Development Strategy and the Establishment of a New International Economic Order: report of the International Labour Office

E/AC.54/L.79

Preliminary mid-term review and appraisal of progress in the food and agricultural sector during the Second United Nations Development Decade: report of the Food and Agriculture Organization of the United Nations

B. Other documents

General Assembly resolution  
3178 (XXVIII)

Preparations for the mid-term review and appraisal of the International Development Strategy for the Second United Nations Development Decade

General Assembly resolution  
3201 (S-VI)

Declaration on the Establishment of a New International Economic Order

General Assembly resolution  
3202 (S-VI)

Programme of Action on the Establishment of a New International Economic Order

General Assembly resolution  
3343 (XXIX)

Special session of the General Assembly devoted to development and international economic co-operation

Economic and Social Council  
resolution 1867 (LVI)

Question of the realization of the economic, social and cultural rights contained in the Universal Declaration of Human Rights and in the International Covenant on Economic, Social and Cultural Rights, and study of special problems relating to human rights in developing countries

Economic and Social Council  
resolution 1911 (LVII)

Implementation of the Declaration and the Programme of Action on the Establishment of a New International Economic Order; mid-term review and appraisal of the International Development Strategy; special session of the General Assembly devoted to development and international economic co-operation

A/9603

Report of the Economic and Social Council on the work of its fifty-sixth and fifty-seventh sessions (Official Records of the General Assembly, Twenty-ninth Session, Supplement No. 3)

<u>Symbol</u>	<u>Title</u>
A/C.2/292	The Cocoyoc Declaration adopted by the participants in the UNEP/UNCTAD Symposium on Patterns of Resource Use, Environment and Development Strategies held at Cocoyoc, Mexico, from 8 to 12 October 1974
E/5467	Special measures in favour of the least developed among the developing countries: report of the Secretary-General
E/5530	Preparations for the mid-term review and appraisal of the International Development Strategy for the Second United Nations Development Decade, including further consideration of the machinery for review and appraisal of the Strategy: report of the Secretary-General
E/5536	Special session of the General Assembly devoted to development and international economic co-operation: preliminary report of the Secretary-General
E/5585 and Corr.1	Report of the World Population Conference held at Bucharest from 19 to 30 August 1974
E/5587 and Add.1-4	Report of the World Food Conference held at Rome from 5 to 16 November 1974
E/5603	Report of the Statistical Commission on its eighteenth session ( <u>Official Records of the Economic and Social Council, Fifty-eighth Session, Supplement No. 2</u> )
E/5617	Report of the Commission for Social Development on its twenty-fourth session ( <u>Official Records of the Economic and Social Council, Fifty-eighth Session, Supplement No. 3</u> )
E/5629	Implementation of the Declaration and the Programme of Action on the Establishment of a New International Economic Order: activities of organizations of the United Nations system: report of the Secretary-General
E/CN.5/512	1974 Report on the World Social Situation. Social trends: a global overview
E/CN.5/518	Current national and international activities in the field of social indicators and social reporting: report of the Secretary-General

<u>Symbol</u>	<u>Title</u>
E/CN.5/519	Report on a unified approach to development analysis and planning: note by the Secretary-General
E/CN.11/L.412	Mid-term review and appraisal of the International Development Strategy for the Second United Nations Development Decade in the ESCAP region, 1974: Economic and Social Survey of Asia and the Pacific, 1974
E/CN.14/632/Summary	Mid-term review and appraisal of progress in implementing the International Development Strategy for the Second United Nations Development Decade: Survey of economic and social conditions in Africa, 1974 (Summary)
TD/B/530	New directions in international trade and development policies: report by the Secretary-General of UNCTAD
TD/B/530/Add.1	Trends and policies in the first four years of the Second Development Decade: report by the UNCTAD secretariat
TD/B/530/Add.2	Implementation within UNCTAD of the relevant provisions of the Declaration and the Programme of Action on the Establishment of a New International Economic Order: report by the UNCTAD secretariat
TD/B/530/Add.3	Reorientation and adaptation of the UNCTAD work programme in the light of the Programme of Action: note by the Secretary-General of UNCTAD
ID/CONF.3/2	<u>Industrial Development Survey. Special issue for the Second General Conference of UNIDO (United Nations publication, Sales No. E.74.II.B.14)</u>
DP/114	The future role of UNDP in world development in the context of the preparations for the seventh special session of the General Assembly: report of the Administrator