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NORTH ATLANTIC ASSEMBLY

GENERAL REPORT

on

ATLANTIC ECONOMIC QUESTIONS

presented by

Mr. Erwin LANGE (Fed. Rep. of Germany)
General Rapporteur

PARTS I & II

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LIST OF ABBREVIATIONS

ACP	African, Carribean, Pacific
BIAC	Business and Industry Advisory Committee (OECD)
CIEC	Conference on International Economic Cooperation ("North-South Dialogue")
COMECON	Council of Mutual Economic Assistance
CSCE	Conference on Security and Cooperation in Europe
DAC	Development Assistance Committee (OECD)
DCs	Developing Countries
EEC	European Economic Community
FAO	Food and Agricultural Organisation of the United Nations
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development (World Bank)
ICFTU	International Confederation of Free Trade Unions
IEA	International Energy Agency
ILO	International Labour Office
IMF	International Monetary Fund
MCs	Multinational Corporations
MSP	Minimum Safeguard Price
NAA	North Atlantic Assembly
OAPEC	Organisation of Arab Petroleum Exporting Countries
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of the Petroleum Exporting Countries
SDRs	Special Drawing Rights
SELA	Systema Economico Latino Americano
TUAC	Trade Union Advisory Committee (OECD)
UNCLOS	United Nations Conference on the Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNIRC	United Nations Information and Research Centre on Transnational Corporations
WHO	World Health Organisation
WIPO	World Intellectual Property Organisation

SUMMARY

CHAPTER I - INTRODUCTION, notes that over the last twelve months, economic and monetary issues have largely dominated international discussions again. The report proposes to review important developments. First, asking whether it is true that the framework of the Atlantic Alliance has regained importance in the search for new solutions to existing problems. It then goes on to review the summit Conferences in Rambouillet and Puerto Rico, the end of the "Cod War", the Aegean conflict and the United Nations Law of the Sea Conference.

CHAPTER II - CURRENT TRENDS IN ECONOMIC RELATIONS, deals with five subjects : The first - the recession overcome - covers the unemployment problem, the impact of the recovery on world trade, figures on the dependence of the Alliance member countries' GDP on exports, and the balance of payments situation in 1975/76. The second - floor price and international trade - poses some questions about the political wisdom of establishing a "Minimum Safeguard Price" for oil and the possible implications of this decision on world trade and on the West's future bargaining position with the "Third World". The fact that OPEC's surplus is rising again means that petrodollars continue to be a major force in the world economy. The report gives some information about the geographical distribution of the total surplus and the reflow patterns. Development aid is in trouble. It can hardly dissolve the non-oil developing countries' financial difficulties. Their total debt is now supposed to be $ 120-130 billion. The report considers the proposal of cancelling certain debts completely inappropriate, but proposes instead to set up a clearing agency, like the Bank for International Settlements in Basel, to deal with debt problems. The fifth subject, covering West-East trade, discusses the increasing trade deficit of COMECON countries, reviews latest developments in EEC-COMECON relations, and gives some basic facts on China's role in international trade.

CHAPTER III - THE "NEW INTERNATIONAL ECONOMIC ORDER", recalls the results of the Seventh Special Session of the United Nations General Assembly, in September 1975, in New York. It mentions the reserves of several Alliance member countries with regard to several parts of the final resolution and notes the somewhat limited scope of the substance. It then reviews international deliberations at the Fourth UNCTAD Session, in May 1976, in Nairobi, and analyses some of its decisions. Two other levels on which discussions on a new economic relationship are currently going on are the "North-South Dialogue" in Paris for which it is too early to make an evaluation, and the Euro-Arab Dialogue between the EEC and the Arab League in which some progress has been achieved on the expert level. The report also cites some concerns of the "First World" about the financial aspects of proposals for a "new economic order", in particular, concerning indexation, the stabilisation of export earnings, the future of public development aid, and the "link" between IMF Special Drawing Rights and development assistance. A last point - towards "collective self-reliance" ? - considers a very recent phenomenon inside the "Third World", i.e. a move to diminish dependence on relations to developed countries.

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CHAPTER IV - MONETARY REFORM : JAMAICA ACHIEVEMENTS, asks whether it is justified to praise the reforms made in the world monetary system, calling the results a "new monetary order". It analyses the forthcoming legalisation of floating exchange rates and its implication for a possible return to fixed but adjustable exchange rates. The report then mentions some other important decisions taken by the IMF : the endorsement of an increase of the total IMF quotas, the sales of the IMF gold, the establishment of a "Trust Fund" and a further step in making SDRs the major reserve instrument in the monetary system.

CHAPTER V - MULTINATIONAL CORPORATIONS : WAITING FOR INTERNATIONAL RULES, reviews recent developments in international activities aiming at a more efficient control of multinational corporations, undertaken in the United Nations and its sub-organisations, the OECD, the EEC, the Council of Europe, and international trade unions. It gives some details on the OECD "package" of rules on MCs and foreign investment, adopted in June 1976. Lastly, the report calls attention to the draft code of conduct for multinational corporations and governments which was recently drawn up in the framework of the regular meetings between delegations of the European Parliament and the United States Congress.

I. INTRODUCTION

1. This report proposes to review important developments in international economic relations over the last twelve months. It notes the general economic recovery in nearly all member countries of the Alliance and analyses current government policies in designing the future structure of the world economy.

2. Once again, economic and monetary issues have largely dominated international discussions; coming under close scrutiny, were such topics as coordination of national policies arising from the recession and on combating inflation and unemployment, prevention of protectionist trade measures, relations between developed and developing countries with the plea for "a new world economic order", the future exploitation of the oceans, the reform of the monetary system, attempts to restrain the economic power of multinational corporations, etc. For the first time in history, two summit meetings between the Heads of State of six, then seven industrialised countries were entirely devoted to economic issues (Conferences of Rambouillet and Puerto Rico). Other fora for negotiation were the United Nations' Seventh Special Session of the General Assembly, the Fourth UNCTAD in Nairobi, the multilateral trade negotiations in the framework of GATT ("Tokyo Round"), the "North-South Dialogue" in Paris, the IEA, the IMF and the World Bank.

The framework of the Alliance

3. Some observers have argued that, as a consequence of this development, the framework of the Atlantic Alliance has regained importance in finding new solutions to existing problems and that regional economic or political units such as the EEC are losing influence and weight. It seems that issues of fundamental importance for the future of mankind, such as food supplies, energy and raw materials and an efficient development policy for the "Third World" can, in fact, only be dealt with on a world-wide scale.

4. This may be true in theory, but reality is more complex than this mere geographical approach, which often hinders more than it helps in finding adequate solutions. It is a fact that among industrialised countries there are very differing opinions on what method should be used to tackle the future. The "Third World" is not interested in inside quarrels of the "First World". They want to find reliable partners who can take over commitments as an economic entity. Hence, the (relative) success of the EEC in negotiating as a block with the ACP countries, in the "North-South Dialogue", in the United Nations General Assembly and in other instances.

5. Even if at the level of the Alliance there is still much dispute about the details of almost every issue, a common feeling of responsibility exists, as the Rambouillet and Puerto Rico Conferences and the OECD trade pledge or cooperation through the International Energy Agency have shown.

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The Summits of Rambouillet and Puerto Rico

6. In November 1975, the Heads of State of the six major economic powers of the "First World" - the United States, Japan, the Federal Republic of Germany, the United Kingdom, France and Italy - met at the Château de Rambouillet, near Paris. Together with the respective Foreign and Finance Ministers, they discussed the international economic and monetary situation, particularly the effects and implications of the current world recession, and adopted a General Declaration (1) affirming their commitment to full economic recovery, and setting out principles and guidelines for the achievement of this goal. "The most urgent task", as stated in the Declaration, "is to assure the recovery of our economies and reduce the waste of human resources involved in unemployment... We will not allow the recovery to falter. We will not accept another outburst of inflation". The Declaration also underlines the importance of a new growth in the volume of world trade. "Growth and price stability will be fostered by the maintenance of an open trading system. At a time when a return to protectionism seems imminent, it is essential for the main trading nations to confirm their commitment to the principles of the OECD pledge (2) and to avoid resorting to measures by which they could try to solve their problems at the expense of others...".

7. Seven months later, in June 1976, the same countries met again, inviting Canada as the seventh participant. The Puerto Rico Summit underlined once more the importance of approaching common economic problems "with a sense of common purpose". Whereas at Rambouillet, the main objective had been to tackle the crisis, the Puerto Rico Conference was supposed to help prevent similar crises in the future. The Heads of State called their main objective the effective management of transition to sustainable expansion, and the reduction of unemployment without jeopardising the combat against inflation. The Puerto Rico Declaration also mentions monetary stability as an important objective, affirming each participating country's intention "to work towards a more stable and durable payments structure". (3)

Setbacks for the Alliance

8. The past twelve months have also brought some serious failures in international policy : to cite but three - the "Cod War" (which now fortunately seems to be settled), the Alliance countries' confused and dispersed action at the Third United Nations Conference on the Law of the Sea (UNCLOS III), and the Aegean conflict. ./.

(1) The full text of this Declaration has been reproduced in Appendix III of document (T 50 EC (76) 7)

(2) The OECD trade pact was signed in May 1974 and twice renewed, in 1975 and in 1976, for another year; for full text, see General Report 1974 (R 147 EC (74) 6), Appendix 4

(3) The full text of the Declaration is given in part II, Appendix IV, of this report

9. The "Cod War" between two member countries of NATO was another example of a familiar problem : that most of NATO's internal difficulties derive from economic issues. After the expiry of the 1973 interim fisheries agreement between Iceland and the United Kingdom, Iceland proclaimed a 200-mile fishing limit off the Icelandic coast. As a result, there were repeated incidents between British trawlers and Icelandic coastguard vessels and collisions between Icelandic ships and Royal Navy frigates sent to protect the trawlers. When political negotiations did not lead to any positive result, the Icelandic Government, on 18 February 1976, formally announced its decision to break off diplomatic relations with Britain.

10. The NATO Council discussed the internal dispute in January 1976 and urged both sides to exercise the utmost restraint. The same month, the NATO Secretary General undertook to mediate. However, it was only in June 1976 that both sides agreed on a compromise, signing a six-month agreement which allowed British fishing within the Icelandic 200-mile zone within certain tonnage and area limits. Diplomatic relations were also re-established.

11. It may be that the dispute will become obsolete once the UNCLOS III achieves its goal. The two most important issues in the current negotiations are the proposed extension of national jurisdiction over ocean resources by means of a 200-mile exclusive economic zone, and the establishment of an "International Seabed Authority" to administer resource exploitation of the seabed beyond national jurisdiction.

12. The institution of a 200-mile zone would result in an appropriation of national jurisdiction of more than one-third of the total area covered by the high seas, or roughly equivalent to the total land mass of the earth. Nearly half of this would be taken over by rich industrialised countries : Canada, the United States, Australia, New Zealand, Japan, some European countries, the USSR and South Africa.

13. Future deep sea mining would be conducted exclusively and directly by the "International Seabed Authority", with the aim to avoid discrimination, to ensure the equitable sharing of benefits and further the transfer of technology to developing countries.

14. It is too early to draw any conclusions about the ongoing negotiations at UNCLOS III (1), but any result will undoubtedly have considerable economic implications. Interestingly, the Alliance member countries are divided on many issues and find themselves allied with countries which "normally" belong to other political blocks, such as the "Group of 77", the 49 disadvantaged countries (with small coasts or none at all), the 40 countries with long coasts, or the COMECON countries. Coalitions of interest on particular questions are quite often based on geographical, and thus economic considerations rather than on political grounds.

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(1) It may be pointed out that the Scientific and Technical Committee has appointed a Special Rapporteur on marine resources, see document (T 151 STC (76) 13)

15. A serious setback for the Alliance may come out of the so-called "Aegean conflict" between Greece and Turkey. When, in 1974, oil deposits were discovered in the Northern Aegean, an historical dispute suddenly included massive economic interests : the right to exploit the Aegean Continental Shelf.

16. When "Sismik 1", a Turkish exploration ship, started seismological exploration in the Aegean in summer 1976, the Greek Navy and Air Force alerted vessels and aircraft, asked for a meeting of the United Nations Security Council and requested an interim injunction against Turkey at the International Court of Justice in The Hague. The United Nations Security Council adopted a Resolution on the dispute on 15 August 1975, calling upon both countries to exercise the utmost restraint and to resume direct negotiations. Three weeks later, the International Court of Justice rejected Greece's request for an interim measure; a definite decision on the issue is still pending.

17. The United States Government is urging both countries to find a peaceful settlement of their dispute. As for NATO, its Acting Secretary General urged Greece and Turkey, in August 1976, to exercise the utmost restraint.

18. It is to be hoped that both member countries of the Alliance will succeed in settling the case as soon as possible. Another dispute between Greece and Turkey would have disastrous effects, not only on the economies of these countries, which are still suffering from the 1974 crisis, but also on the Alliance as a whole.

II. CURRENT TRENDS IN ECONOMIC RELATIONS

A. The recession - overcome

19. The longest and most severe recession since World War II has been substantially overcome in most member countries. In those countries of the Alliance, optimism has regained ground, and indicators such as industrial production, GNP, private demand and investment expediture have visibly improved. Consumer prices are generally rising at a much slower rate than in 1975 (1).

20. Unemployment figures do not yet show a general trend but are decreasing in absolute terms in most countries. The economic upturn is moderate in comparison to previous recoveries, but will continue to reduce the unemployment rates. According to experts, however, one of the peculiarities of the coming economic cycle might be that unemployment figures will stay much higher than they have been in the past, despite a productive world economy. An active national and international anti-inflation policy will lower the employment level further by preventing governments from starting a strong expansionist policy.

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(1) Figures in Table 3, Appendix I

21. Several international conferences tried to tackle the employment problem. Twice, in November 1975 and in June 1976, the European Community brought together Economic, Finance and Employment Ministers, plus employers' and workers' representatives. Results were rather limited but might have been, in the long run, the beginning of a "concerted action" on a European level to achieve economic consolidation, stability and full employment. The ILO, in Geneva, convened a "World Tripartite Conference" in June 1976, which was attended by delegates of the governments, employers and unions of 121 countries. The Conference adopted a declaration and an action programme to combat world-wide unemployment, including proposals on national employment strategies and policies, the international migration of labour, techniques of setting up productive employment, and on the role of multinationals. However, the main focus was drawn on the situation in the developing countries.

22. Other lower level governmental meetings have also dealt with the issue, without being able to give ideal and definite "recipes". In many countries, the government is asked to create new jobs in public administration (1). In the United States, it was calculated that above the "basic" level of unemployment of 4%, every additional 1% meant some $ 15 billion (2) in deferred taxes, social security payments, etc., and thus considerably increased the deficit in the government's budget.

Economic recovery and world trade

23. Due to international economic interdependence, the recovery in economically strong countries, like the United States and the Federal Republic of Germany, had multiple effects, through the international transmission mechanism, in other countries' economies. Therefore, the development of world trade is watched with close attention.

24. For the second time in the post-war period (after a 1% drop in 1958), world trade declined in volume from 1974 to 1975 by about 5%. According to GATT figures published in September 1976, industrialised countries suffered significant decreases in both export and import volumes. In values, figures for exports were slightly up (+ 6.6%, after + 34% in 1974), whereas imports went down (- 0.7%, after + 40% in 1974). For developing countries, these figures are much more significant : value of exports - 4.6%, value of imports + 15.3%, indicating losses in export earnings because of the recession and further rises in the average price of their imports (3).

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(1) Parallel to these demands, however, there is considerable discussion on what level government expenditure may reach, as percentage of GDP (see Table 5, Appendix I)
(2) "billion" in this report means 1,000 million
(3) Complete figures for world trade in 1974-75 are given in Table 2, Appendix I

25. Projections for 1976 are much more optimistic. For GATT, the volume of world exports is to reach a new peak this year, exceeding the 1975 level by 10% and the previous 1974 peak by around 4%. This increase is attributed to the recovery of demand in industrialised countries, the continuous import demand of oil exporting countries and a new foreign trade expansion of the COMECON countries and China. The OECD forecast for 1976, as given in the July 1976 issue of its "Economic Outlook", is + 11% for OECD imports and + 10% for OECD exports (1).

26. The balance of payments picture for 1975 was somewhat surprising. The OECD area registered a swing from large deficit in 1974 (- $ 33.25 billion) to a slight surplus in the first half of 1975 and a small deficit for the year as a whole (- $ 6 billion) in its combined current account (2). This was mainly due to two factors : a drop in oil imports and formidable increase in exports of goods and services to OPEC countries (whose imports jumped to 62% over 1974 values). For 1976, a new heavy deterioration is expected for the OECD as a whole : a current deficit of $ 20 billion, mainly due to a swing in the United States' current balance from + 11.7 billion in 1975 to a forecast of - 3.5 billion in 1976.

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(1) It would be interesting to compare the degree of dependence of GDP on exports, as percentages are very different within the Alliance. But a comparison for the present state of the economic recovery would only be valuable if one had current figures for 1976. They are not yet available. As a reminder, figures for 1974 are given in the following table :

<u>Exports, as percentage of GDP (1974)</u>

Belgium - Luxembourg	51.4%
Netherlands	46.9%
Portugal (1972)	27.1%
Norway	27.0%
Denmark	24.7%
Iceland	23.7%
Federal Republic of Germany	23.1%
Canada	22.7%
United Kingdom	20.3%
Italy	20.3%
France	16.7%
Greece	10.5%
United States	7.1%
Turkey	5.2%

(Source : OECD)

(2) For more figures, see Table 1 a) and b), Appendix I

B. Floor price and international trade

27. On 30 January 1976, the member countries of the International Energy Agency (1) agreed upon a programme of long-term cooperation in energy. It includes some general aims of cooperation and four chapters on energy conservation, accelerated development of alternative sources of energy, energy research and development, and on legislative and administrative obstacles and discriminatory practices.

28. As a general measure of cooperation, the programme lays down the establishment of a "Minimum Safeguard Price" (MSP) below which no imported oil may be sold in domestic markets. This measure aims at encouraging and safeguarding new investment in the bulk of conventional alternative sources of energy. So far, the MSP has been fixed at $ 7 per barrel, but may be reviewed.

29. The problem of setting a minimum price for oil was dealt with in last year's General Report and, as the Committee members will remember, was also discussed with Ambassador Davignon, President of the IEA, at the May meeting in 1975. At that time, Mr. Davignon called the minimum price an "interim solution" and added that "the underlying intention... is neither entirely clear nor entirely satisfactory. But it does have the advantage of providing us with the political possibility to develop a concept that 18 states can accept".

30. At the last meeting of the NAA Economic Committee in May 1976, in Brussels, there was another very lively debate on the problem of fixing a floor price. However, discussions were somewhat misled by a slight misunderstanding, as some members referred to the MSP for oil as one set by the oil <u>exporting</u> countries. In reality, your Rapporteur was thinking of the MSP set by oil <u>consuming</u> countries. It is still the view of your Rapporteur that the MSP for oil means an official recognition of OPEC's cartel policy and a strong support for their high price decisions. It does not enforce the West's bargaining position with the "Third World" on price and income stabilisation, because it undermines the credibility of Western opposition to fixed prices, the proposed integrated commodity programme and the establishment of more producer associations.

31. The oil MSP is, therefore, a bad precedent for other commodities where consumer countries may have a strong interest in profiting from any price decrease. An open world economy has been very advantageous so far for the industrialised world. If the principle is to be kept, an important step like the MSP should be more carefully weighed than has apparently been done. This is even more true as other policy measures to protect new investment in alternative energy sources are possible and available.

32. From a practical standpoint, however, the dispute is more or less obsolete, at least for the time being. The outlook for a one third decrease in oil prices is not a realistic option. ./.

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(1) It will be remembered that the IEA, set up in November 1974 as an autonomous body within the framework of the OECD, now comprises 19 member countries of which one (Norway) is an associate member.

C. OPEC's surplus rising again (1)

33. The last eight months have not confirmed a further downward trend in the OPEC countries' surplus. Petrodollars continue to be a major force in the world economy. According to United States Government figures, total revenues of OPEC countries had fallen from \$ 110 billion in 1974 to \$ 100 billion in 1975, but will increase again to a total \$ 114 billion in 1976.

34. It is interesting to note that the surplus has become concentrated in Saudi Arabia, Kuwait and the United Arab Emirates, raising their share from 56% of the total surplus in 1974 to 78% in 1975, and 82% in 1976 (2). These countries' ability to absorb further increases in imports is very limited. Their need for Western technology and military equipment may still mean substantial purchases, but this will only account for a small additional share of the surplus money (between 1973 and 1975, weapons worth \$ 7 billion were delivered to OPEC countries; orders were even higher : \$ 13.7 billion). Total imports of OPEC countries in 1975 increased by 50% over 1974 figures; the 1976 increase will only be around 16% (over 1975 figures).

35. This leaves total surplus figures of \$ 72 billion in 1974, \$ 41 billion in 1975 and \$ 46 billion in 1976 (3).

36. At the end of last year, estimates of what the OPEC countries had done with their surplus were very different, due to lack of sufficient available data. British and United States banks' figures varied considerably (4):

- investment in the United Kingdom : 0 - 20%
- investment in the United States : 12 - 19%
- deposits in foreign currency (mainly European) : 30 - 40%
- international organisations (mainly IMF and World Bank) : 9 - 12%
- investment in countries other than the United States and the United Kingdom, loans to developing and developed countries : 30 - 35%.

37. These figures evidently leave room for much speculation as to where the petrodollars are flowing. The potential forces behind any movement, however, can be determined more accurately and thus influenced with greater certainty than two years ago. The sums involved require adequate political measures. Even the lower estimate on the share deposited in foreign currencies is a very discomforting figure. There is no doubt that the surplus-holding OPEC countries, above all Saudi Arabia, have shown a constructive and responsible political attitude to date and certainly cannot be blamed for abusing their financial petrodollar power. Western industrialised countries will have to recognise this fact and match the responsible action of OPEC with an equally constructive policy of cooperation. ./.

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(1) This chapter will deal only briefly with the issue; more extensive information is given in the special report of the joint Sub-Committee on Energy Supplies (T 153 EC-STC/ES (76) 6)
(2) All figures from the United States Government : see Table 7 a) - b), Appendix I
(3) United States Treasury figures; OECD's forecast for 1976's surplus is even higher : \$ 50.5 billion
(4) The latest available figures from the Bank of England are given in Table 7 c), Appendix I

D. Development aid in trouble

38. Inflation, recession, the disruption of the international monetary system, a precarious world food situation and the disastrous effect of oil price increases have laid a heavy burden on non-oil developing countries. Emergency aid programmes, special support schemes for balance of payments deficits, OPEC development aid and a general increase in amounts of OECD countries' public development aid eased the situation only partially and temporarily. The total debt of these countries is now supposed to be \$ 120-130 billion. Most of the deterioration in 1975 was concentrated in nine countries : Argentina, Egypt, India, Mexico, Malaysia, Thailand, Turkey, Peru and the Philippines.

39. Developing countries, in particular those which were already in difficulty before the massive price rises in 1973-74, are in much greater trouble now. They are those poorer countries with large populations, lagging agricultural sectors and weak economic administrations. "Without increased concessional aid from the international community, dramatically more effective management of their economies, and development and trade policies more directly related to improved export potentials", said Maurice J. Williams, Chairman of the OECD Development Assistance Committee, in December 1975, in Paris, "they are not likely to make significant economic progress during the rest of the Second Development Decade".

40. OECD-DAC calculated the net flow of resources, both private and official, to have been \$ 21 billion annually in 1970-72, \$ 35 billion in 1973, \$ 43 billion in 1974 and \$ 57 billion in 1975. Of this, \$ 8 billion in 1974 and 9 billion in 1975 were borrowed on Euro-currency markets. As for the rest, resources originated from :

	1974	1975
OECD-DAC countries	80.4%	81.4%
OPEC countries	13.2%	11.7%
Centrally planned economies	3.2%	1.7%
IMF oil facility	3.2%	5.2%
	100.0%	100.0%

41. The heavy 1975 deficit increase could not be compensated by additional resources on a bilateral or multilateral basis, but had to be borrowed on international financial markets. IMF experts estimated that developing countries borrowed about \$ 20 billion in 1975.

42. The developing countries' debt service is putting an increasing and critical strain on their import capacity and jeopardises the development process. Some 17% of their export earnings are used solely to pay interest rates and repay credits. For many countries, this figure is even worse (reaching 33% in both Egypt and Brazil).

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A cancellation of debts?

43. Strong demands have been made for a radical approach to solve the situation. The "Manila Programme of Action", for instance, adopted at the Third Ministerial Meeting of the "Group of 77" (1), in February 1976, at Manila (Philippines), advocated general debt relief, and in the case of the least developed, the developing land locked and the developing island countries, they have gone so far as to request a cancellation of official debts. The "Action Programme" asked for the convening of a conference of major developed creditor and interested debtor countries, under the auspices of UNCTAD, "to determine appropriate ways of implementing the principles and guidelines of the renegotiation of official and commercial debts to be reached at UNCTAD IV".

44. UNCTAD IV, however, did not go as far as that. Resolution 94 (IV) on "debt problems of developing countries" (2) only mentions "quick and constructive consideration of individual requests". This is much less than what had been asked for in some conference documents. The original idea was :

- to convert the official development aid repayments owed by the least developed countries into grants;
- to waive the debt servicing payments on official assistance loans of the "most seriously affected countries" until 1980.

45. It is evident that such a general moratorium for - or even a cancellation of - official debts would be a disguised increase in official aid and would set an important precedent. It may become necessary to avoid bankruptcies or even a collapse in trade relations with developing countries. But it could also make future commitments to development aid increasingly difficult. Even today, public opinion in several industrialised countries on public aid is rather negative and has put pressure on parliamentarians to vote against further increases. Arguments of the type "they-never-pay-back" may compound the parliamentarians' problems in defending the increases.

46. It seems that many developing countries are becoming increasingly doubtful about the wisdom of a general moratorium and about the consequences on their future borrowing position. The demand for debt relief is still on the agenda and was also introduced into the negotiations at the level of the "North-South Dialogue" in Paris. But industrialised countries are reluctant on this point, above all the United States which is the biggest creditor country of the "Third World" ($ 25 billion, according to the World Bank). Your Rapporteur would prefer the setting-up of a clearing agency, like the Bank for International Settlements in Basel, which could agree to postpone the payment of debts for a certain period after discussion with the creditor. Such an agency could also set up special conditions for the poorest debtors.

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(1) The "Group of 77" comprises 113 developing countries; two new members were accepted in February 1976 : Romania and Malta. After Cuba, Romania is the second COMECON country in the "Group of 77"

(2) Reproduced as Appendix V b) to this report

The IMF's role under discussion

47. Pertinent to the discussion on development aid, there is some debate over the future role of the IMF. The sales of some of the IMF's gold (details of which will be discussed later on in the chapter on monetary reform) and the establishment of a "Trust Fund" have changed the role of the IMF to approximate that of a development aid agency. Some countries are concerned about the undermining of the IMF's original role managing the international monetary system. "The Economist", in January 1976, proposed rather bluntly to merge the IMF with the World Bank because the IMF "no longer controls the world's money".

48. The UNCTAD, however, in a report on "International monetary issues : problems of reform", prepared for the Fourth UNCTAD Session in May 1976, in Nairobi, counters these critics : "The question is whether international monetary cooperation is to stop short of the point at which it deals effectively with payments' problems faced by developing countries and springing from the workings of the international monetary system as well as from the very economic structure of developing economies. Clearly, IMF cannot successfully discharge its functions as an international monetary agency if it ignores or neglects the fact that developing countries have a special need for payments support. It should, therefore, be recognised that meeting these needs, far from causing the Fund to abandon its role as a monetary agency, would help it to fulfil that role".

E. West-East trade : still a minor part

49. West-East trade expanded considerably in 1975, but mainly in one direction : eastwards (1); the volume of westward trade is stagnating. COMECON has submitted a "Draft Agreement" for its future relationship with the EEC. China is also trying to expand trade with Europe and thereby strengthen its political influence. ./.

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(1) It may be useful to define the term "West-East trade" : as far as this report is concerned, this means trade with member countries of COMECON and with China. International language in this respect is not very homogeneous. Some use the term "Eastern Trading Area", defined as Eastern Europe, the Soviet Union and the Asian centrally planned economies. Others use the term "Centrally Planned Economies" (OECD), "Sino-Soviet Area" (GATT), "Sino-Soviet Block" (OECD), "Eastern countries" (United Nations Economic Commission for Europe, NATO), "Eastern European countries" (EEC), "Socialist countries of Eastern Europe" (UNCTAD), "Eastern Europe" (NATO), or just "The East" (NATO). A NATO booklet on "Economic consultation in NATO" defined "The East" as "all Communist countries including China and the smaller Asian Communist countries".
Accordingly, any figures on trade given by different sources are difficult to compare. The best way to avoid misunderstandings would therefore seem to be to limit our scope to COMECON and China.
Members of COMECON (often also abbreviated as CMEA, but having the same meaning : "Council for Mutual Economic Assistance") are the USSR, GDR, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Mongolia and Cuba. Albania is still a de jure member, but no longer participates; Yugoslavia has observer status.

Trade deficit and credit needs

50. At the end of 1974, the Soviet Union had a trade surplus of just under $ 200 million. In 1975, this became a deficit of $ 5.5 billion, of which only $ 1 billion can be accounted for by last year's disastrous grain harvest. As a whole, COMECON's deficit with OECD countries has more than doubled from 1974 to 1975, to reach an estimated $ 12 billion. The COMECON countries' cumulative foreign debt has grown to an estimated $ 24-27 billion (United Nations Economic Commission for Europe). The Bank for International Settlements even estimated a total of $ 35 billion (end 1975). Between 1969 and 1974, most COMECON countries increased their imports from Western countries much faster than imports from other COMECON countries. According to figures published by GATT in August 1976 (1), between 1974 and 1975, exports from "industrial areas" (GATT term) to the "Eastern trading area" increased by 25%, to reach $ 34.4 billion. During the same period, imports by "industrial areas" only increased by 4.5%, to reach $ 24.6 billion.

51. "Substantial borrowing", wrote "The Economist" on 17 January 1976, "in Western money markets of the order of $ 2.5 billion - two and half times that in 1974 - has kept the wheels of East-West trade turning". About half of this sum has been borrowed from the Euromarket. In order to continue to pursue their plans to obtain modern technology and equipment, COMECON countries will need a great deal of capital. It appears that the Soviet Union with its strong raw material base, may have less difficulty than other countries.

52. The USSR's Tenth Five-Year Plan provides for an increase in foreign trade turnover of 30-35%. By this, Moscow is especially targeting on extended links with Western industrialised countries. But the Soviet Union, as the COMECON countries, will have to make great efforts to improve their export potential and to produce export goods which are competitive on a world level.

53. There is no doubt that West-East trade is much more important economically for the COMECON countries than for the West. However, one should not underestimate the political significance. Economic interdependence has created obligations, and increasing trade has succeeded in pulling the COMECON countries out of their international economic "off-side".

COMECON and EEC

54. COMECON's Summit Meeting in Bucharest in June 1975 resulted in two new full members, Cuba and Mongolia, and in an agreement on multilateral integration measures. The latter involves joint investments from 1976 to 1980 in developing Soviet raw material resources and a long-term programme to terminate in 1990 for cooperation in the fields af raw materials, fuel, energy, engineering, farming and food industries. Despite rising costs, the other COMECON countries will be called upon to provide assistance to the joint investment projects which will total about $ 9 billion transferable roubles (used as a unit of account, not common currency).

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(1) See Table 2 in Appendix I

55. Exactly one year after their first formal contacts made in February 1975, COMECON **submitted a** "Draft Agreement" to the EEC. The fifteen articles refer to provisions of the Final Act of the CSCE and include the following items :

- economic and commercial cooperation, standardisation, environment, statistics, economic forecasts in the field of production and consumption levels concerning certain areas;
- direct cooperation between EEC and COMECON countries and a list of the forms of cooperation;
- a mutually applied clause of the most favoured nation;
- the abolition of bans and restrictions on imports and exports of member countries;
- trade of agricultural products;
- monetary and financial questions;
- questions on procedure;
- a system of generalised preferences, with special reference to Cuba;
- the establishment of a mixed committee.

56. The theoretical and practical difficulties of the EEC-COMECON relationship were outlined in last year's General Report (S 151 EC (75) 7, p. 22f.) and are still valid. Even if talks between the two economic blocs open in the near future, progress is expected to be slow. It may be quite some time, therefore, until a trade deal is signed.

57. Despite this, there will nevertheless be some important initiatives during the next years to promote westbound exports of profitable products, as no country wants to limit its imports of Western goods needed to modernise its economy.

China's foreign trade

58. China is a new factor on the international economic scene. China's foreign trade has been increasing steadily over the last five years, as is shown in the following table :

in million US $

		CHINA		
		Export	Import	Balance
USA (a)	1971	-	5	- 5
	1974	807	115	+ 692
	1975	303	158	+ 145
Japan	1971	578	323	+ 255
	1974	1,984	1,304	+ 608
	1975	2,258	1,531	+ 727
EEC	1971	408	374	+ 34
	1974	965	828	+ 137
	1975	1,423	808	+ 615

a) imports fob

Source : GATT, August 1976

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59. In its overall trade balance, China registered a deficit of about $ 500 million in 1975, which was considerably less than the $ 1 billion deficit in 1974. Part of the improvement was due to higher oil exports. China has increased its oil production by 20-25% annually during the past ten years and produced about 570 million barrels in 1975 (1). Of these, about 20% were exported, mainly to Japan.

60. China officially recognised the EEC in May 1975. Accordingly, formal relations have been established, and a Chinese Ambassador was accredited to the EEC in September 1975.

61. China's GNP in 1974 reached $ 157 billion, in comparison with the United States at $ 1,220 billion, the EEC at $ 890 billion and the Soviet Union at $ 620 billion. China's foreign trade policy has been against long-term credits for investments, but in 1972, 1973 and 1974, a delayed payments' formula was applied because the recession caused inflation on imports.

62. The EEC's percentage in China's foreign trade has been growing smaller, amounting to 14.2% in 1972, 12.3% in 1973 and about 11% in 1974. Based on 1973 figures, the EEC's share of China's foreign trade ranks as follows :

1.	Japan	22.8%
2.	Hong Kong	13.1%
3.	EEC	12.3%
4.	United States	8.6%
5.	Soviet Union	2.7%

63. China's percentage of the total external trade of the EEC, however, is comparatively small : 0.8% in 1973. EEC exports were comprised of 90% industrial plant items, transport materials, and other manufactured goods and chemicals. EEC imports to China are mostly food products, raw materials and manufactured goods.

64. In March 1975, the EEC adopted an autonomous system of imports applying to China. Out of 1,098 headings in the common customs tariff of the EEC, the community liberation list, as applied to China, now includes 857 headings (including 99 partial derestrictions). Further, China notified the EEC in January 1976 that it intends to continue talks on a trade agreement.

III. THE "NEW INTERNATIONAL ECONOMIC ORDER"

A. The 7th United Nations Special Session in September 1975

65. After two years of mounting confrontation between the industrialised world and developing countries (DCs), the second half of 1975 brought a somewhat more conciliatory debate about mutual problems and, in particular, the "Third World's" demand of a "new international economic order". For most observers, the United Nations's Seventh Special Session in September 1976, in New York, represented a major test for the political will of both sides to take some further steps towards a new relationship. ./.

(1) See Table 8, Appendix I

66. Every country was aware of the importance of its vote, despite the fact that the United Nations General Assembly has no power to make a decision on political matters. To quote the United States : "Economic issues have already become the subject of mounting confrontations - embargoes, cartels, seizures, countermeasures and bitter rhetoric. Over the remainder of this century, should this trend continue, the division of the planet between north and south, between rich and poor, could become as grim as the darkest days of the cold war. We would enter an age of festering resentment, of increased resort to economic warfare, a hardening of new blocs, the undermining of cooperation, the erosion of international institutions - and failed development" (1).

67. Although many questions discussed at the Special Session were no longer controversial, there was some bitter fighting before agreement was reached on the text concerning a number of unsolved problems : the establishment of an integrated system of commodity arrangements, stabilisation of income from commodity exports, preferential trade treatment for DCs, alleviation of their debt burden, increased development aid, and the establishement of a "link" between SDR allocation and development aid.

68. After lengthy discussions, the Assembly unanimously adopted a compromise. This was an important step for the industrialised countries which had previously voted against the "Charter of Economic Rights and Duties" (or abstained). However, despite their positive vote, some countries, and notably the United States, expressed reservations about the text of the compromise. The United States delegation stated a clear "no" to indexation, targets for development aid, a "link" between SDRs and development aid, and proposals on redeployment of industries, and expressed further reservations on the transfer of resources, changes in the monetary system, and the reform of the decision-making process in international financial institutions.

69. The final resolution, as adopted by the General Assembly, is divided into seven chapters, covering the following issues : international trade, transfer of real resources and international monetary reform, science and technology, industrialisation, food and agriculture, cooperation among developing countries, restructuring of sectors of the United Nations' system (2)

70. However, despite the lively discussion, the substance of the resolution is rather limited. Most issues were passed on to other international organisations or conferences, e.g. the Fourth UNCTAD Session, in May 1976, in Nairobi, the GATT Multilateral Trade Negotiations in Geneva, IMF, the World Bank, the International Development Association, UNIDO, ILO, UNESCO, FAO, WIPO, UNDP, WHO, UNICEF and others, asking them to make further studies or prepare definite decisions. It appears that this course of action has made it easier for many industrialised countries to accept the final text. As "Newsweek" put it : "None of this means that the developed world is about to accede to all of the "Third World's" demands. Undoubtedly, some of the conciliatory gestures now being made by the West are part of an effort to delay action on those demands - in effect, an attempt to talk them to death".

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(1) Mr.Kissinger's speech to the Special Session, 1 September 1975
(2) For the full text, see Appendix II

71. It may well be that world-wide recession has put the "Third World" in a somewhat weaker position vis-à-vis the industrialised countries. This will change quickly, however, when the economic upswing increases the demand on commodity markets, thus increasing Western dependence on "Third World" exports.

B. The Fourth UNCTAD Session in May 1976

72. A continuation of world-wide negotiations on a "new economic order" took place in May 1976, in Nairobi, at the Fourth Session of the United Nations Conference on Trade and Development (UNCTAD IV). The UNCTAD was formally established in 1964 as a permanent body of the United Nations General Assembly and has since held four important international conferences : Geneva (1964), New Delhi (1968), Santiago (1972) and Nairobi.

73. The mandate of UNCTAD IV was, above all, "to reach decisions on the improvement of market structures in the field of raw materials and commodities of export interest to the developing countries, including decisions with respect to an integrated programme and the application of elements hereof" (1). Consequently, the agenda included commodities, manufactured and semi-manufactured goods, and international trade. Other topics were development aid, debt problems, monetary issues, transfer of technology, economic cooperation among developing countries, trade relations with COMECON countries, and the special needs of the poorest developing countries.

74. The wide range of subjects and proposals for action almost inevitably led to controversial discussions, and an unusually wide mass media coverage of the conference did not help to keep emotions down. One of the most debated topics was the establishment of a common fund in the framework of an integrated programme for commodities which should finance international commodity stocks or other necessary measures. At one moment, it seemed that UNCTAD IV would fail because of the impossibility of overcoming the deadlock on the common fund. Mainly two countries, the United States and the Federal Republic of Germany, opposed a binding decision on the common fund.

75. The compromise found later was that "the Secretary General of UNCTAD is requested to convene a negotiating conference... on a common fund no later than March 1977" (2). In separate declarations after the adoption of that resolution, the Federal Republic of Germany, the United States and the United Kingdom stated their reservations on the wisdom of a common fund. The German delegation underlined once more that they "continued to believe that it would not be in the interests of the developing countries either, to create a dirigistic mechanism for centralised management".

76. Ten other member countries of the Alliance (3) declared that they would work actively together to ensure that Resolution 93 would result "in a true and comprehensive integrated commodity programme, which would mark a decisive step towards a more just and equitable international economic order". ./.

(1) Resolution 3362, adopted at the 7th Special Session of the United Nations General Assembly (see text in Appendix II)
(2) Resolution 93 (IV), reproduced as Appendix V a)
(3) Belgium, Canada, Denmark, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal and Turkey

77. It seems evident that these differences in the attitude of the Alliance member countries will make the forthcoming negotiations very difficult. The lack of concrete alternatives developed by the "First World" in view of the increasing pressure from the "Third World" for a "new international economic order", becomes more and more disadvantageous to the "First World". The United States proposal, for instance, for the establishment of an "International Resources Bank" to encourage investement in the development of raw materials in developing countries - itself undoubtedly a very useful idea - could not be considered as a real alternative to "Third World" proposals such as indexation or the stabilisation of export earnings (1).

78. The two most controversial resolutions deriving from UNCTAD IV are reproduced as Appendix V a) (integrated programme for commodities) and b) (debt problems of developing countries), out of a total number of 16 resolutions. The debt problem has been dealt with above under chapter II, point D. Some more remarks on other critical issues of UNCTAD IV will be made below under point D of this chapter.

C. The "North-South Dialogue" and the Euro-Arab negotiations

79. After the failure of first preparatory talks for a "trilateral conference" in April 1975, in Paris, the second preparatory meeting in October 1975 was more carefully prepared, resulting in a "Conference on International Economic Cooperation" (CIEC), started in December 1975, the so-called "North-South Dialogue". Twenty-six countries and the EEC are participating in the CIEC. Twelve international organisations were invited to send observers (United Nations, OPEC, IEA, UNCTAD, OECD, FAO, GATT, UNDP, UNIDO, IMF, IBRD, SELA). The four issues (energy, raw materials, development and financial affairs) are delt with in four commissions, each one comprising 15 members from developing countries, 5 from developed countries and two co-chairmen. The commissions' first round of meetings in 1976 took place in February, March, April, June and July. A second round started in September 1976, with meetings scheduled until November 1976.

80. More comprehensive information on the CIEC can be found in the report of the joint Sub-Committee on Energy Supplies (T 153 EC-STC/ES (76) 6).

81. There are no results to date, and it is certainly too early to make an evaluation; moreover, negotiations are held behind closed doors and participants favour keeping their discussions "classified". At the time of writing, it is not clear whether the conference will be able to agree on a set of proposals, decisions, agreements, commitments and recommendations to be submitted to a final plenary session at Ministerial level before the end of the year. Once again, observers deplore the lack of unity inside the "First World". Too often, days or even weeks are wasted while Western participants to the conference (the United States, Canada, the EEC, Spain, Sweden and Switzerland) try to resolve their internal differences.

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(1) The proposal was voted down 33 : 31, with 44 abstentions and 31 countries not participating in the vote. The United States called this a "chance majority" which could not be taken as definite. In June 1976, the proposal - slightly modified - was submitted to the "North-South Dialogue" in Paris.

82. As for the Euro-Arab dialogue between the EEC and the Arab League, some progress has been achieved in high-level expert meetings. A first meeting of the "General Committee" (at ambassadorial level) took place in May 1976 in Luxembourg and succeeded in laying down the organisational structure of the dialogue, particularly concerning "working committees" and "specialised groups". Seven "working committees" are now active, covering the following areas of common interest : industrialisation, infrastructure, agriculture and rural development, financial cooperation, trade and commercial problems, scientific and technical cooperation, and social and cultural cooperation.

83. The final communiqué adopted at the May meeting in Luxembourg mentions as the first steps to be taken to reinforce cooperation :

- the provision of a general picture of the legal framework and economic opportunities for foreign investment;
- the elaboration of general guidelines on foreign investment, including protection measures;
- the elaboration of general guidelines on the terms of contracts.

84. The Arab side considers these negotiations to be a milestone in the history of Arab-European relations and lays special emphasis on their political significance. The European side tries to put the main accent on economic cooperation, leaving the political scope to emerge later. Both sides are far from having definitely adopted a common position inside each delegation. One should thus not expect early results from this dialogue.

D. Some concerns of the "First World"

85. The "Third World's" demand for a new economic order would have been just one more paper if it had not been accompanied by OPEC's oil price policy and by a threat of more commodity producer cartels. The threat is a reminder that, after all, 90% of world exports of coffee, cocoa, tea, jute, hard fibres and natural rubber, and more than 50% of world exports of tin, copper, bauxite, manganese, sugar and cotton, come from developing countries - enough to be able to seriously disrupt supply markets.

86. Developing countries had to understand, on the other hand, that even the super-rich industrialised countries do not possess unlimited solvency and that industrial development and economic well-being of developing countries are closely related to the future well-being of the economies of the industrialised world. The recent recession has been an obvious example.

87. It is not astonishing, therefore, to see that financial aspects are the most controversial points in the world-wide discussion on a new order.

- Indexation was defined, in an UNCTAD IV paper (1), as an "agreed procedure for the automatic adjustment of a nominal target price or price range, so as to ensure that, in conditions of inflation, this ./.

(1) "Preservation of the purchasing power of developing countries' exports", TD/184/Supp. 2

always expressed correctly, in current money units, the real target price or price range specified for the commodity concerned".

Indexation is still the "nightmare" of Western countries. The United States strongly opposes indexation in particular. The last annual report of the Council of Economic Advisers gives two main reasons : "First, efficient use of economic resources depends upon the smooth functioning of the price mechanism. If relative prices were frozen, misallocation of resources would inevitably result. Second, because such arrangements tend to result in selling prices that are higher than market forces would bring about, they impart an inflationary bias to the international economic system" (1).

Developing countries accept these arguments reluctantly. Among these countries, it is common knowledge that the developed market economies and their price mechanisms can be and are manipulated through a whole range of possible interferences. The developing countries do not intend to continue to suffer from the inflationary economic policies of Western countries, at the same time being told which economic measures to use to keep their own prices down.

The formula aggreed at UNCTAD IV is rather vague, not committing anyone to anything, but simply agreeing to the objective of price levels "remunerative and just to producers and equitable to consumers", which take into account world inflation and changes in the world economic and monetary situations. The item is now on the agenda of the "North-South Dialogue".

- A system of stabilisation of export earnings of developing countries, an alternative to indexation, is under discussion. Three main proposals have been put forward : a) a "supplementary financing scheme", as proposed by the World Bank; b) the STABEX scheme as established by the EEC under the Lomé Convention between the EEC and ACP countries; c) a "development security facility" within the IMF (United States proposal at the 7th Special Session of the United Nations General Assembly). Any stabilisation system implies, of course, the dangers which were already described in last year's General Report : the concentration of developing countries on raw materials and the primary sector, insufficient diversification of their economic development and possible overproduction in some fields. To do nothing, however, is unrealistic, and to wait for the perfect development scheme would mean the stagnation or deterioration of the developing countries' situation.

- A stabilisation system could also provide a means to supplement unilateral or multilateral public development aid, especially since the recession has considerably restricted some industrialised countries' financial margin. At the United Nations Special Session, there were strong objections to the "continued commitment in respect of the targets relating to the transfer of resources, in particular the official development assistance target of 0.7% of GNP", as stated in the final text ./.

(1) Economic Report of the President, transmitted to the Congress in January 1976

of the Special Session. Several EEC countries declared that they were not able to go beyond their current commitments, at least for the time being. The United States, the biggest contributor of public development aid in absolute figures ($ 3.4 billion in 1974) but one of the smallest in terms of GNP percentage (0.25% in 1974), would have to triple its commitments to meet the raised target. Under present conditions, such an increase would not have the slightest chance of being approved by the Congress. The United States delegation had objected therefore to the above-quoted paragraph of the final text.

- A fourth, most controversial point in international negotiations is the so-called "link" between the IMF Special Drawing Rights (SDRs) and development assistance. At the United Nations Special Session, the final decision was transfered to another organisation (the IMF), but even the choice of words was only agreed upon with great difficulty. The United States entered a dissent, stating that it remained opposed to the "link". Your Rapporteur has always opposed the "link" because he has considered it to be a self-deceptive "solution" to development aid. In the 1973 General Report, adopted by the Economic Committee in Ankara, it was already stated that "there will be a great danger for the economic stability, through inflationary effects, if SDRs are used in the framework of financial aid... to the developing world" (Q 159 EC (73) 9 para. 28). One may add that development aid should be based on genuine work achieved rather than on permission to draw blank cheques on the future.

E. Towards "collective self-reliance"?

88. Until recently, the "Third World's" demand for a restructuring of the international economic order mainly focused on its relations with the "First World", asking the industrialised countries to concede new rights, more power and more financial support to developing countries.

89. In view of the extreme slowness of ongoing negotiations, many developing countries have started to consider alternative options for their future. One of them is called "collective self-reliance". This new concept was elaborated mainly by the "Group of 77" at its Manila Conference in Spring 1976, further discussed at UNCTAD IV, and was the very centre of attention at the Colombo Conference of non-aligned countries in August 1976 and at the Mexico Conference of the "Group of 77" in September 1976. Self-reliance aims at mobilising the resources of developing countries to accelerate the development process and to transform the mechanisms and institutions that govern international economic relations.

90. The concept embraces two basic elements (1) :

- "cooperation among developing countries to establish common positions and to apply a maximum of leverage so as to increase their bargaining power in negotiations and joint action vis-à-vis the industrialised countries" and

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(1) Based on UNCTAD IV document TD/183 : "New directions and new structures for trade and development"

- "efforts to strengthen and intensify trade, investment and technological cooperation among themselves".

91. This may imply, among other actions, improved access to each other's markets, establishment of own multinational corporations, creation of own payments scheme (including a "counter-currency" to the currencies which today dominate the international monetary system), extension of trade preferences currently existing among developing countries, more producer associations, raw materials buffer stocks financed exclusively by the "Third World", and the setting up of a "Third World Bank".

92. Such measures could in fact boost intra-"Third World" trade and consequently diminish dependence on economic links with the industrialised world. In 1974, trade among developing countries accounted for only 20% of their total trade; the corresponding figure for the developed market economy countries was 73%, for COMECON countries 51%.

93. Discussions on a system of "collective self-reliance" are still at an early stage. They may, however, gain in importance and signal one of the most interesting phenomena for the 1980's - presupposed, of course, that the "Third World" maintains and even increases the level of cohesion and solidarity it practices today.

IV. MONETARY REFORM : JAMAICA ACHIEVEMENTS

94. After the fifth meeting of the IMF Interim Committee on 7 and 8 January 1976, in Kingston (Jamaica), participants as well as observers were euphoric about the results. The "IMF Survey" called the arrangements "the most far-reaching changes in the international monetary system since Bretton Woods". European and United States newspapers talked of "a new Bretton Woods" and "a new monetary order" being born in Jamaica. Willy de Clerq, Finance Minister of Belgium and Chairman of the IMF Interim Committee, called it "the end of a very long road to monetary reform". The IMF "1976 Annual Report", published in September 1976, said it would be "an important stage in the evolution of a reformed monetary order" (1).

95. Are these praises justified? It is doubtful whether Jamaica has really succeeded in shaping a new monetary order. One positive measure, however, has been taken : the system of floating exchange rates has been legalised and made subject to stricter supervision by the IMF. "Each member" says the new Article IV of the IMF's Articles of Agreement, "undertakes to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates. In particular, each member shall : 1) endeavour to direct its economic and financial policies towards the objective of fostering orderly economic growth with reasonable

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(1) It may be useful to indicate that the IMF Interim Committee cannot make definite decisions, but may only submit its proposals to the IMF Board of Governors. The Board has formally adopted the proposals on 30 April 1976. Some decisions have been submitted to IMF member countries and, in many of them, need parliamentary ratification. This process may take up to 18 months.

price stability, with due regard to its circumstances; 2) seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions; 3) avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members".

96. But a return to fixed but adjustable exchange rates, the original main goal of the monetary reform discussion over the last five years, has been shelved. It is difficult to call floating an "order" although it offers undoubted advantages for some member countries of the Alliance.

97. The amended Article IV contains a provision for change : an 85% majority of the total voting power may determine "that international economic conditions permit the introduction of widespread systems of exchange arrangements based on stable but adjustable par values". But 85% is a requirement which practically excludes any such decision. For example, if either the United States (21.53% of the total number of votes) or the combined voting power of France, Italy and the United Kingdom (15.59%) voted against such return to "stable but adjustable par values", the proposal would be defeated.

98. It is interesting to note the considerable time spent at the IMF annual meeting, in October 1976, in Manila, discussing the subject of floating. Many countries have serious doubts on the current practice and have asked for measures against so-called "dirty floating".

99. The other important decisions by the Interim Committee, in January 1976, were the following :

- Endorsement of an increase of the total of IMF quotas by about 32.5% to 39 billion SDRs; for the Alliance member countries, this means an absolute increase of SDRs from 17 billion to 21 billion, but their relative percentage share of the total quotas has decreased from 58.18% to 54.58%. Only five Alliance countries received a slight increase in their percentage : Belgium + 0.06, Fed. Rep. of Germany + 0.04, Portugal + 0.04, Netherlands + 0.03, Luxembourg + 0.01. The biggest increases were given to Saudi Arabia + 1.08, Iran + 1.03, Venezuela + 0.56, China + 0.47, Nigeria + 0.46 and Kuwait + 0.38. The oil producing countries in particular had insisted on larger quotas and thus more voting power in the IMF; however, they have made little progress towards this end (1). These latter six countries now represent only 7.85% of the total voting power.

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(1) At the IMF annual meeting, in Manila, in October 1976, it was agreed to revise quotas again within the next 18 months

- Sales of the IMF gold : the Committee decided to hold public auctions over a period of four years. Previously, the Interim Committee, at its meeting in August 1975, had agreed to demonetarise gold in the world monetary system, to sell one sixth of the IMF's gold (25 million ounces) for the benefit of developing countries, to restitute another sixth to IMF members, to abolish an official price for gold and to leave the decision on the remaining four sixths of the IMF gold to an 85% majority in the Fund.

- Establishement of a "Trust Fund" without further delay for the benefit of the low income members. This "Trust Fund" will be financed by the profits of the sales of the Fund's gold, and eventually added to by voluntary national contributions. Up to September 1976, three IMF gold auctions were conducted, bringing a total amount of $ 184 million for the benefit of developing countries. The "Trust Fund" will be used to provide balance of payments assistance on concessionary terms to members with per capita income below 300 SDRs per year (i.e. about $ 350). So far, there are 60 IMF member countries eligible for Trust assistance.

- Determination of the method of valuation of SDRs. A change in valuation will require a 70% majority of the total voting power, whereas any decision on the basic principle of valuation will require 85% of the total. This is a further step towards the objective of making SDRs the major reserve instrument in the world monetary system.

100. Thus far, the Interim Committee's decisions are not indicative of a new monetary order, but imply, on the contrary, that the IMF member countries have adapted to existing pressures and practices. One of the biggest problems for the world monetary system which has not yet been tackled is the controlling of world liquidity. On the contrary, the Jamaica decisions may blow up liquidity by another $ 6 to 9 billion and give another push to international inflation. Soaring inflation was one of the factors leading to the break-down of the old monetary order. One may ask whether the machinery will be in a position to prevent - or at least to cope efficiently - with future monetary turbulences. At the IMF annual meeting, in Manila, in October 1976, some serious concern was expressed concerning the liquidity problem, but no concrete decision on it has been taken.

V. MULTINATIONAL CORPORATIONS : WAITING FOR INTERNATIONAL RULES

101. Recent revelations in United States Congress hearings on the bribe practices of a number of well-known multinational corporations (MCs) have once again drawn public attention to the specific set of problems linked with the transnational economic activities of private companies. Your Rapporteur has dealt with this issue in every report he has presented over the last years and has received the Economic Committee's support to continue to press for a general international agreement on MCs, establishing some commonly agreed rules for the future activities of MCs.

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102. The OECD published a first set of rules in June 1976. Elsewhere, work on the establishment of such rules is progressing very slowly in the different international organisations. A summary of recent developments will follow in the next few paragraphs.

United Nations and sub-organisations

103. The United Nations finally succeeded in starting work on MCs through the newly established "Commission on Transnational Corporations" and the "United Nations Information and Research Centre on Transnational Corporations" (UNIRC) which will provide the Commission with the necessary administrative services and carry out research work and information activities (1).

104. The Commission met for the second time in March 1976, in Lima, and endorsed its working programme (and thus the UNIRC working programme for the next two years). There will be five topics of priority :

- establishment of a code of conduct (considered as "top priority");
- establishment of a comprehensive information system;
- research on the political, economic and social effects of the operations and practices of MCs;
- organisation and coordination, at the request of governments, of technical cooperation programmes concerning MCs;
- determination of common characteristics of MCs;

105. Results on these topics will be presented to the Commission in two year's time (1978).

106. In November 1975, the International Labour Office (ILO) published a new study on "Multinationals in Western Europe : the industrial relations experience". The study is based on an enquiry into employment and training, wages and basic conditions of work, and labour relations. The ILO's conclusion : MCs on the whole are a positive force in comparison with other companies' activities in the home countries. Most grievances arise from a lack of union recognition.

The OECD guidelines

107. In June 1976, the OECD Council, meeting at Ministerial level, adopted a "package" of rules on MCs and foreign investment, comprising four parts (2) :

1) a "Declaration on International Investment and Multinational Enterprises" with guidelines for multinational enterprises as an appendix;
2) a "Decision on Inter-Governmental Consultation Procedures on the Guidelines for Multinational Enterprises";
3) a "Decision on National Treatment";
4) a "Decision on International Investment Incentives and Disincentives".

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(1) For the background of the new United Nations activities, see the General Report 1974, (R 147 EC (74) 6, p. 18-19)
(2) The full text is contained in Document (T 185 EC (76) 12)

108. This is supposed to be only a first step, the "initial phase" of the OECD cooperation programme on MCs. The guidelines are voluntary and not legally enforceable. They cover the following topics : general policies, disclosure of information, competition, financing, taxation, employment and industrial relations, science and technology.

109. The OECD "Committee on International Investment and Multinational Enterprises" will act as a sort of "review board" and report regularly to the OECD Council, taking into consideration the views expressed by the Business and Industry Advisory Committee, the Trade-Union Advisory Committee and eventually by MCs themselves.

110. The practical consequences of the voluntary code remain to be seen. It was mainly the United States Government which insisted on not making the guidelines obligatory. The United States very much counts on the MCs' cooperation. "The investment package", said Mr. William C. Turner, United States Ambassador to the OECD, "can help both to restore public trust and confidence in multinational enterprises, and to make it possible for them to be more certain of the attitude and treatment they can expect from governments. Each multinational enterprise will be able to demonstrate its recognition and support for the guidelines and for the OECD Investment Package as a whole, in its own way, if it determines that it is its self-interest to meet both the pragmatic and moral goal set by the OECD".

The European Community

111. The EEC Commission finally published its report on "The behaviour of oil companies in the Community during the period from October 1973 to March 1974" (COM (75) 675). The report found no conclusive evidence of illegal actions on the part of multinational oil companies during the oil crisis. A better balance between companies and public authorities and more transparency of prices and financial operations were called for, however, and investigations of possible abuses continue.

112. Mr. Albert Borschette, then EEC Commissioner for anti-trust problems, who had been the person responsible for the study, said it was essential to seek a better balance between the companies and the public authorities. It is in the interest of both the States and the companies, he said, that doubt and distrust be dissipated by means of a better balance of power in the eyes of the authorities and the public as well.

113. In April 1976, the EEC Commission published a proposal for a comprehensive reform of the accounting practices of MCs and large national groups, aiming at an improved and much more detailed financial information.

114. In July 1976, a survey by the EEC Commission revealed interesting details on about 4,500 MCs based in the EEC and about 2,500 based in the United States. The survey was part of an ambitious project to compile the first-ever world inventory of large, medium-sized and small MCs (estimated around 10,000).

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The Council of Europe

115. The Parliamentary Assembly of the Council of Europe has also taken up the subject of MCs and has adopted a report by Mr. Holtz (Fed. Rep. of Germany) (1). The report gives an analysis of MCs' activities and of their positive and negative aspects, reviews international action with regard to MCs and considers countervailing power and control strategies.

The international trade unions

116. In October 1975, the "International Conferaration of Free Trade Unions" (ICFTU) representing about 53 million workers, endorsed a "Multinational Charter" of trade union demands for the legislative control of multinational companies. The Charter was submitted to the 11th ICFTU World Congress in Mexico. It covers the following items :

- public accountability;
- social obligations of the companies;
- international direct investment and take-overs;
- restrictive business practices;
- taxation of multinationals;
- transfer of technology;
- short-term capital movements.

117. The Charter will be presented to the United Nations and certain United Nations specialised agencies as a basis for a number of international conventions.

118. The ICFTU strongly criticised the United Nations "Commission on Transnational Corporations" because "that Commission will never be in a position to elaborate and apply effective social controls on the multinationals unless it finds ways and means of realistically associating the trade union movement with its work". In particular, the ICFTU does not believe in a voluntary code of conduct - "too timid and inadequate in the face of the challenge posed" - but, demands binding regulations set out in international conventions to which governments can give legal force by emboying them in national legislation.

119. In April 1976, the "European Trade Union Confederation" (ETUC), at its London Congress, adopted a resolution on "democratisation of the economy - multinational groups of companies", demanding above all an improved representation and participation of workers in MCs, better information on MCs' activities, stricter EEC rules on the control of the concentration of undertakings,and the elaboration of a unitary company law for all member states of the EEC and if possible of EFTA. The ETUC announced that it was working on a European "Action programme regarding multinational groups of companies", to be published soon.

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(1) Doc. 3762, May 1976

A Euro-American initiative

120. Recently, in the series of regular meetings between delegations of the European Parliament and the United States Congress, a jointly presented working document containing a draft code of conduct for MCs and governments was adopted as a basis for final consultation. The draft agreement is intended to be the core of a future global settlement with Japan and other industrialised countries. It is expected that a final decision on the text will be taken at the eleventh meeting, in April 1977.

121. The full text of the draft text is reproduced in Apendix VI of this Report.

ECONOMIC
Committee

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NORTH ATLANTIC ASSEMBLY

GENERAL REPORT

on

ATLANTIC ECONOMIC QUESTIONS

presented by

Mr. Erwin LANGE (Fed. Rep. of Germany)
General Rapporteur

PART II

APPENDICES

International Secretariat November 1976

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b)	Exports to OPEC 1974-75
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A Draft Code of Principles on Multinational Enterprises and Governments.

APPENDIX I

Table 1. a)

Balances of Payments : World current account [(a)]

1974-1977

$ billion

	1974	1975	1976	1977 I[b]
Trade balance				
OECD	- 26.50	6	- 7	- 8
OPEC	81	54	64	66
Non-oil developing countries[c]	- 16	- 24.50	- 19	- 21
Other[d]	- 11.50	- 16	- 14	- 13
Total	27	20	24	24.50
Current balance				
OECD	- 33	- 5.50	- 20	- 23
OPEC	65	40	51	55
Non-oil developing countries[c]	- 17	- 26.50	- 21	- 23
Other[d]	- 10	- 15	- 13	- 12
Total	5	- 7	- 3	- 3

a) OECD estimates, based largely on data recorded by OECD countries. The figures given in the table, particularly for non-OECD groupings, are tentative; work is in progress to improve the technique used for derivation of the estimates.

b) Seasonally adjusted, at annual rates.

c) All non-OECD countries except oil producing countries, the Socialist countries of Eastern Europe, the Soviet Union, China, North Korea, North Vietnam, South Africa, Israel, Yugoslavia, Cyprus and Malta. It should be noted that this country grouping does not exactly correspond to the DAC or IBRD definition of non-oil developing countries as it excludes a number of both OECD and non-OECD Mediterranean countries.

d) Sino-Soviet area, South Africa, Israel, Yugoslavia, Cyprus and Malta.

Source : OECD Economic Outlook, July 1976.

Table 1.b)

Balances of Payments :
current balances of Alliance countries
1974 - 1975

$ billion, seasonally adjusted

	1974	1975
Belgium - Luxembourg	0.6	0.5
Canada	-1.7	- 5.0
Denmark	-0.9	- 0.5
France	-6.0	0.3
Fed. Rep. of Germany	9.7	3.7
Greece	-1.2	- 1.0
Iceland	-0.2	- 0.1
Italy	-8.0	- 0.6
Netherlands	2.0	1.6
Norway	-1.2	- 2.5
Portugal	-0.8	- 0.8
Turkey	-0.6	- 1.8
United Kingdom	-8.7	- 3.8
United States	-0.6	11.7

Source : OECD

Table 2

WORLD TRADE 1974-75

Exports by major areas

(in billion US $ fob and in percentage of world exports)

ORIGIN		DESTINATION			
		Industrial areas	Developing areas	Eastern trading area	Total World
Industrial areas	1974	375.70 = 44.8%	106.40 = 12.7%	27.50 = 3.3%	526.10 = 62.7%
	1975	380.65 = 43.4%	129.30 = 14.7%	34.40 = 3.9%	560.90 = 63.8%
Developing areas	1974	163.90 = 19.5%	46.45 = 5.5%	7.65 = 0.9%	222.65 = 26.5%
	1975	152.55 = 17.4%	47.40 = 5.4%	8.25 = 0.9%	212.40 = 24.2%
Eastern trading area	1974	23.55 = 2.8%	11.50 = 1.4%	36.80 = 4.4%	72.00 = 8.6%
	1975	24.60 = 2.8%	13.30 = 1.5%	48.75 = 5.5%	86.80 = 9.9%
Total World	1974	575.10 = 68.6%	168.65 = 20.1%	72.60 = 8.6%	838.90 = 100.0%
	1975	570.65 = 64.9%	194.40 = 22.1%	92.25 = 10.5%	879.10 = 100.0%

Source : GATT, August 1976

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Table 3

Consumer prices : Inflation rates 1975-76

Percentage changes from previous period
not seasonally adjusted

	At annual rate	
	1975	12 months to July 1976
Canada	10.8	6.8
United States	9.1	5.4
France	11.7	9.4
Germany	6.0	4.1
Italy	17.0	16.5
United Kingdom	24.2	12.8
Belgium	12.8	9.2
Luxembourg	10.7	9.7
Netherlands	10.2	8.3
Denmark	9.6	7.3
Ireland	20.9	16.2 (a)
Greece	13.4	14.3
Iceland	49.1	32.9 (a)
Norway	11.7	9.3
Portugal (b)	20.4	16.8
Turkey	21.2	17.5
Total OECD (c)	11.5	7.9
OECD Europe (c)	13.4	9.8
EEC (c)	13.3	9.4

a) to latest available period
b) Lisbon : excluding rents
c) 1973 private consumption weights and exchange rates

Source : OECD, Press Release September 8, 1976

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1974 - 1975
$ billion, seasonally adjusted

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Iceland	-0.2	- 0.1
Italy	-8.0	- 0.6
Netherlands	2.0	1.6
Norway	-1.2	- 2.5
Portugal	-0.8	- 0.8
Turkey	-0.6	- 1.8
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Germany	6.0	4.1
Italy	17.0	16.5
United Kingdom	24.2	12.8
Belgium	12.8	9.2
Luxembourg	10.7	9.7
Netherlands	10.2	8.3
Denmark	9.6	7.3
Ireland	20.9	16.2 (a)
Greece	13.4	14.3
Iceland	49.1	32.9 (a)
Norway	11.7	9.3
Portugal (b)	20.4	16.8
Turkey	21.2	17.5
Total OECD (c)	11.5	7.9
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EEC (c)	13.3	9.4

a) to latest available period
b) Lisbon : excluding rents
c) 1973 private consumption weights and exchange rates

Source : OECD, Press Release September 8, 1976

Table 4

Unemployment rates in selected OECD countries : National definitions a)

per cent of civilian labour force, seasonally adjusted

	Average 1962-73	Peak 1955 73	1974	1975 Q1	1975 Q2	1975 Q3	1975 Q4	1976 Q1
Canada	5.3	7.9 June 58	5.4	6.7	7.1	7.1	7.0	6.8
United States	4.9	7.5 July 58	5.6	8.1	8.7	8.6	8.5	7.6
Japan	1.3	1.9 Oct 55	1.4	1.7	1.8	1.9	2.2	2.0
France (b)	1.8	2.4 Sept 72	2.3	3.3	3.8	4.0	4.1	4.2
Germany (b,c)	1.3	4.9 Mar 55	2.7	4.6	4.9	4.9	5.1	5.2
Italy (d)	3.6	5.5 Apr 59 (f)	2.9	3.1	3.4	3.3	3.5	3.5
United Kingdom (b,e)	2.4	3.9 Apr 72	2.5	3.1	3.6	4.2	4.8	5.2
Australia (b)	1.6	3.0 Sept 61	2.1	4.2	4.6	5.0	4.9	4.4
Belgium (b)	2.1	4.0 Febr 59	2.6	3.5	4.2	4.8	5.3	5.2
Denmark (b,d)	...	....	2.5	6.5	5.6	5.3	6.6	...
Finland	2.4	5.0 Jan 68	1.7	1.4	2.0	2.5	2.9	3.4
Netherlands (b)	1.3	2.4 Nov 72	2.8	3.6	4.0	4.3	4.4	4.4
Norway (b)	0.9	2.1 Dec 58	0.6	0.9	1.1	1.3	1.3	1.2
Spain (d)	...	....	3.2	3.4		3.9	4.6	4.7
Sweden	2.1	2.9 Nov 73	2.0	1.5	1.7	1.6	1.7	1.6

a) These rates are not comparable between countries.
b) Registered unemployed.
c) As per cent of dependent labour force. Additively seasonally adjusted by the OECD.
d) Not seasonally adjusted.
e) Great Britain, as per cent of total employees (unemployed + employed)
f) Peak in period 1959-73.

Source : OECD Economic Outlook, July 1976.

Table 5

Current government expenditure as percentage of GDP

(Figures for 1974, unless otherwise stated)

Netherlands	46.4 %	
Norway	40.9 %	
Denmark	40.0 %	
Germany	37.5 %	
Belgium	36.4 %	
United Kingdom	35.3 %	(1973)
Canada	34.7 %	
Italy	34.4 %	
France	33.8 %	(1973)
Luxembourg	32.9 %	
United States	29.6 %	(1973)
Iceland	24.9 %	(1968)
Greece	22.8 %	
Portugal	20.1 %	(1973)
Turkey	18.3 %	(1972)

Source : OECD

Table 6

DEFENCE EXPENDITURE OF NATO COUNTRIES (a)

1973-1974-1975

COUNTRY	per head		% of GNP			% of total national budget		
	1974	1975	1973	1974	1975	1973	1974	1975
Belgium	151	160	3.0	3.0	3.3	9.96	9.96	9.57
Denmark	144	147	2.5	2.8	2.9	6.90	7.23	7.75
France	190	198	4.4	4.3	4.6	18.94	17.45	19.49
Fed. Rep. of Germany	230	228	3.9	4.1	4.1	26.21	26.75	23.59
Greece	90	140	4.6	4.4	6.9	19.19	18.90	25.53
Italy	79	...	3.2	3.1	2.8	12.33	12.12	10.51
Luxembourg	51	53	0.9	0.9	1.0	3.05	3.49	3.11
Netherlands	176	178	3.7	3.8	3.9	12.18	12.14	11.02
Norway	179	182	3.7	3.6	3.6	13.63	12.98	12.89
Portugal	112	...	6.7	8.1	7.5	38.39	41.85	35.23
Turkey	28	...	4.4	4.1	...	18.82	19.78	19.00
United Kingdom ...	175	173	5.6	5.9	5.7	19.72	16.43	17.80
Europe NATO	147	...	4.2	4.2	4.3	.....	.....	.....
Canada	130	124	2.3	2.4	2.4	10.14	9.48	8.92
United States	405	380	6.6	6.7	6.7	29.24	26.47	24.79
Total NATO	246	...	5.3	5.4	5.3	.....	.....	.....

a) Figures for Iceland are not available.

Source : NATO

Table 7.a)

OPEC Current Account 1974-76

(in million $)

	1974	1975	1976[b)]
Exports			
Oil	110,400	100,100	114,100
Non-oil	6,310	6,135	7,525
Imports	-38,440	-57,620	-67,120
Services and private transfers	- 6,020	- 7,520	- 8,780
Current account surplus [a)]	72,250	41,055	45,725

a) excluding official transfers

b) projected

Source : US Treasury

Table 7. b)

Exports to OPEC

	Value in $ billion		Percentage change from previous year		Exports to OPEC as a percentage of total exports		Share of OPEC market a)			
	1974	1975	1974	1975	1974	1975	average 1971-73	1974	1975 b) I	1975 b) II
Canada	0.6	0.8	118.2	41.7	1.7	2.5	2.0	2.0	1.8	1.3
United States	6.8	10.2	85.5	59.6	6.9	10.0	23.3	23.5	21.9	24.3
Japan	5.5	8.8	100.0	53.9	9.9	15.2	16.0	19.0	18.8	17.3
France	2.8	4.6	63.4	61.6	6.2	8.2	10.5	9.8	10.5	9.1
Germany	4.1	6.8	78.8	67.2	4.5	7.5	12.9	14.0	13.9	15.0
Italy	2.2	3.7	85.1	65.8	7.4	10.7	7.6	7.8	7.7	8.2
United Kingdom	2.6	4.7	45.0	77.6	6.8	10.7	12.0	9.1	9.9	10.0
Belgium-Luxembourg	0.7	1.1	48.7	63.8	2.5	4.0	2.5	2.4	2.7	2.1
Netherlands	0.8	1.4	45.8	61.4	2.6	3.9	3.4	2.9	3.0	2.8
Other EEC	0.2	0.4	63.6	100.0	2.1	3.6	0.8	0.7	0.9	1.0
Other North Europe	1.3	2.2	52.0	52.6	2.8	4.4	4.8	4.6	4.6	4.7
Other OECD	1.2	2.0	68.3	63.4	5.1	7.9	4.2	4.2	4.3	4.2
Total OECD	28.9	47.0	76.2	62.6	5.4	8.3	100.0	100.0	100.0	100.0

a) Percentage of total OECD exports to OPEC

b) Seasonally adjusted.

Source : OECD Economic Outlook, July 1976.

Table 7. c)

OPEC Surpluses and Investment Pattern

1974-1976

(in billion $)

	1974	1975	1976 1st quarter	1976 2nd quarter
1) United Kingdom				
British Government stocks	0.9	0.4	0.1	-
Treasury bills	2.7	- 0.9	- 0.1	- 0.7
Sterling deposits	1.7	0.2	- 0.4	- 0.5
Other Sterling investments	0.7	0.3	0.1	0.1
Foreign currency deposits	13.8	4.1	- 0.1	2.3
Other foreign currency borrowing	1.2	0.2	-	0.6
TOTAL	21.0	4.3	- 0.4	1.8
2) United States				
Government and agency securities	5.5	2.5	0.8	1.8
Bank deposits	4.0	0.6	0.6	0.5
Other investment	2.1	6.9	1.3	1.3
TOTAL	11.6	10.0	2.9	3.6
3) Other countries				
Bank deposits	9.0	5.0	1.0	0.5
Bilateral facilities and other investment	11.9	12.4	3.5	2.1
TOTAL	20.9	17.4	4.5	2.6
4) International Organisations	3.5	4.0	1.6	0.2
TOTAL 1) - 4)	57.0	35.7	8.6	8.2

Source : Bank of England (September 1976)

Table 8

World crude oil production in 1975

(thousands of barrels)

	1975	1974	Percent of change
United States	3,052,048	3,202,585	- 4.7
Canada	518,878	616,532	- 15.8
Western Europe	199,380	142,005	+ 40.4
U.S.R.R.	3,608,850	3,373,650	+ 7.0
China	571,590	474,500	+ 20.5
OPEC Countries			
Ecuador	58,753	63,678	- 7.7
Venezuela	856,364	1,086,332	- 21.2
Saudi Arabia	2,491,855	2,996,543	- 16.8
Iran	1,952,650	2,197,901	- 11.2
Kuwait	670,918	830,580	- 19.2
Irak	808,840	720,729	+ 12.2
United Arab Emirates	618,310	616,485	+ 0.3
Qatar	159,482	189,348	- 15.8
Nigeria	651,890	823,347	- 20.8
Libya	551,150	555,291	- 0.8
Algeria	350,753	368,139	- 4.7
Gabon	81,948	73,548	+ 11.4
Indonesia	477,055	501,838	- 4.9
Other Countries	1,793,189	1,704,696	+ 5
World Total	19,473,903	20,537,727	- 5.2

Source : United States Government

APPENDIX II

United Nations 7th Special Session Resolution 3362 on Development and International Economic Cooperation

The General Assembly,

Determined to eliminate injustice and inequality which afflict vast sections of humanity and to accelerate the development of developing countries,

Recalling the Declaration and the Programme of Action on the Establishment of a New International Economic Order, as well as the Charter of Economic Rights and Duties of States, which lay down the foundations of the new international economic order,

Reaffirming the fundamental purposes of the above-mentioned documents and the rights and duties of all States to seek and participate in the solutions of the problems afflicting the world, in particular the imperative need of redressing the economic imbalance between developed and developing countries,

Recalling further the International Development Strategy for the Second United Nations Development Decade, which should be reviewed in the light of the Programme of Action on the Establishment of a New International Economic Order, and determined to implement the targets and policy measures contained in the International Development Strategy,

Conscious that the accelerated development of developing countries would be a decisive element for the promotion of world peace and security,

Recognising that greater cooperation among States in the fields of trade, industry, science and technology as well as in other fields of economic activities, based on the principles of the Declaration and the Programme of Action on the Establishment of a New International Economic Order and of the Charter of Economic Rights and Duties of States, would also contribute to strengthening peace and security in the world,

Believing that the over-all objective of the new international economic order is to increase the capacity of developing countries, individually and collectively, to pursue their development,

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Decides, to this end and in the context of the foregoing to set in motion the following measures as the basis and framework for the work of the competent bodies and organisations of the United Nations system :

I. International Trade

1. Concerted efforts should be made in favour of the developing countries towards expanding and diversifying their trade, improving and diversifying their productive capacity, improving their productivity and increasing their export earnings, with a view to counteracting the adverse effects of inflation - thereby sustaining real incomes - and with a view to improving the terms of trade of the developing countries and in order to eliminate the economic imbalance between developed and developing countries.

2. Concerted action should be taken to accelerate the growth and diversification of the export trade of developing countries in manufactures and semi-manufactures and in processed and semi-processed products in order to increase their share in world industrial output and world trade within the framework of an expanding world economy.

3. An important aim of the fourth session of the United Nations Conference on Trade and Development, in addition to work in progress elsewhere, should be to reach decisions on the improvement of market structures in the field of raw materials and commodities of export interest to the developing countries, including decisions with respect to an integrated programme and the applicability of elements thereof. In this connection, taking into account the distinctive features of individual raw materials and commoditites, the decisions should bear on the following :

a) Appropriate international stocking and other forms of market arrangements for securing stable, remunerative and equitable prices for commodities of export interest to developing countries and promoting equilibrium between supply and demand, including, where possible, long-term multilateral commitments;

b) Adequate international financing facilities for such stocking and market arrangements;

c) Where possible, promotion of long-term and medium-term contracts;

d) Substantially improve facilities for compensatory financing of export revenue fluctuations through the widening and enlarging of the existing facilities. Note has been taken of the various proposals regarding a comprehensive scheme for the stabilisation of export earnings of developing countries and for a Development Security Facility as well as specific measures for the benefit of the developing countries most in need;

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e) Promotion of processing of raw materials in producing developing countries and expansion and diversification of their exports, particularly to developed countries;

f) Effective opportunities to improve the share of developing countries in transport, marketing and distribution of their primary commodities and to encourage measures of world significance for the evolution of the infrastructure and secondary capacity of developing countries from the production of primary commodities to processing, transport and marketing, and to the production of finished manufactured goods, their transport, distribution and exchange, including advanced financial and exchange institutions for the remunerative management of trade transactions.

4. The Secretary General of the United Nations Conference on Trade and Development should present a report tc the Conference at its fourth session on the impact of an integrated programme on the imports of developing countries which are net importers of raw materials and commodities, including those lacking in natural resources, and recommend any remedial measures that may be necessary.

5. A number of options are open to the international community to preserve the purchasing power of developing countries. These need to be further studied on a priority basis. The Secretary General of the United Nations Conference on Trade and Development should continue to study direct and indirect indexation schemes and other options with a view to making concrete proposals before the Conference at its fourth session.

6. The Secretary General of the United Nations Conference on Trade and Development should prepare a preliminary study on the proportion between prices of raw materials and commodities exported by developing countries and the final consumer price, particularly in developed countries, and submit it, if possible, to the Conference at its fourth session.

7. Developed countries should fully implement agreed provisions on the principle of standstill as regards imports from developing countries, and any departure should be subjected to such measures as consultations and multilateral surveillance and compensation, in accordance with internationally agreed criteria and procedures.

8. Developed countries should take effective steps within the framework of multilateral trade negotiations for the reduction or removal, where feasible and appropriate, of non-tariff barriers affecting the products of export interest to developing countries on a differential and more favourable basis for developing countries. The Generalised Scheme of Preferences should not terminate at the end of the period of ten years originally envisaged and should be continuously improved through wider coverage, deeper cuts and other measures, bearing in mind the interests of those developing countries which enjoy special advantages and the need for finding ways and means for protecting their interests.

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9. Countervailing duties should be applied only in conformity with internationally agreed obligations. Developed countries should exercise maximum restraint within the framework of international obligations in the imposition of countervailing duties on the imports of products from developing countries. The multilateral trade negotiations under way should take fully into account the particular interests of developing countries with a view to providing them differential and more favourable treatment in appropriate cases.

10. Restrictive business pratices adversely affecting international trade, particularly that of developing countries, should be eliminated and efforts should be made at the national and international levels with the objective of negotiating a set of equitable principles and rules.

11. Special measures should be undertaken by developed countries and developing countries in a position to do so to assist in the structural transformation of the economy of the least developed, land-locked and island developing countries.

12. Emergency measures as spelled out in section X of General Assembly resolution 3202 (S-VI) should be undertaken on a temporary basis to meet the specific problems of the most seriously affected countries as defined in Assembly resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, without any detriment to the interests of the developing countries as a whole.

14. Further expansion of trade between the socialist countries of Eastern Europe and the developing countries should be intensified as is provided for in resolutions 15 (II) of 25 March 1968 and 53 (III) of 19 May 1972 of the United Nations Conference on Trade and Development. Additional measures and appropriate orientation to achieve this end are necessary.

II. Transfer of real resources and international monetary reforms

1. Concessional financial resources to developing countries need to be increased substantially, their terms and conditions ameliorated and their flow made predictable, continuous and increasingly assured so as to facilitate the implementation by developing countries of long-term programmes for economic and social development. Financial assistance should, as a general rule, be untied.

2. Developed countries confirm their continued commitment in respect of the targets relating to the transfer of resources, in particular the official development assistance target of 0.7 per cent of gross national product, as agreed in the International Development Strategy for the Second United Nations Development Decade, and adopt as their common aim an effective increase in official development assistance with a view to achieving these targets by the end of the decade. Developed countries which have not yet made a commitment in respect of these targets undertake to make their best efforts to reach these targets in the remaining part of this decade.

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3. The establishment of a link between the special drawing rights and development assistance should form part of the consideration by the International Monetary Fund of the creation of new special drawing rights as and when they are created according to the needs of international liquidity. Agreement should be reached at an early date on the establishment of a trust fund, to be financed partly through the International Monetary Fund gold sales and partly through voluntary contributions and to be governed by an appropriate body, for the benefit of developing countries. Consideration of other means of transfer of real resources which are predictable, assured and continuous should be expedited in appropriate bodies.

4. Developed countries and international organisations should enhance the real value and volume of assistance to developing countries and ensure that the developing countries obtain the largest possible share in the procurement of equipment, consultants and consultancy services. Such assistance should be on softer terms and, as a general rule, untied.

5. In order to enlarge the pool of resources available for financing development, there is an urgent need to increase substantially the capital of the World Bank Group, and in particular the resources of the International Development Association, to enable it to make additional capital available to the poorest countries on highly concessional terms.

6. The resources of the development institutions of the United Nations system, in particular the United Nations Development Programme, should also be increased. The funds at the disposal of the regional development banks should be augmented. These increases should be without prejudice to bilateral development assistance flows.

7. To the extent desirable, the World Bank Group is invited to consider new ways of supplementing its financing with private management, skills, technology and capital and also new approaches to increase financing of development in developing countries, in accordance with their national plans and priorities.

8. The burden of debt on developing countries is increasing to a point where the import capacity as well as reserves have come under serious strain. At its fourth session the United Nations Conference on Trade and Development shall consider the need for, and the possibility of, convening as soon as possible a conference of major donor, creditor and debtor countries to devise ways and means to mitigate this burden, taking into account the development needs of developing countries with special attention to the plight of the most seriously affected countries as defined in General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).

9. Developing countries should be granted increased access on favourable terms to the capital markets of developed countries. To this end, the joint

Development Committee of the International Monetary Fund and the International Bank for Reconstruction and Development should progress as rapidly as possible in its work. Appropriate United Nations bodies and other related intergovernmental agencies should be invited to examine ways and means of increasing the flow of public and private resources to developing countries, including proposals made at the current session to provide investment in private and public enterprises in the developing countries. Consideration should be given to the examination of an international investment trust and to the expansion of the International Finance Corporation capital without prejudice to the increase in resources of other intergovernmental financial and development institutions and bilateral assistance flows.

10. Developed and developing countries should further cooperate through investment of financial resources and supply of technology and equipment to developing countries by developed countries and by developing countries in a position to do so.

11. Developed countries, and developing countries in a position to do so, are urged to make adequate contributions to the United Nations Special Fund with a view to an early implementation of a programme of lending, preferably in 1976.

12. Developed countries should improve terms and conditions of their assistance so as to include a preponderant grant element for the least developed, land-locked and island developing countries.

13. In providing additional resources for assisting the most seriously affected countries in helping them to meet their serious balance-of-payments deficits, all developed countries, and developing countries in a position to do so, and international organisations such as the International Bank for Reconstruction and Development and the International Monetary Fund, should undertake specific measures in their favour, including those provided in General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).

14. Special attention should be given by the international community to the phenomena of natural disasters which frequently afflict many parts of the world, with far-reaching devastating economic, social and structural consequences, particularly in the least developed countries. To this end, the General Assembly at its thirtieth session, in considering this problem, should examine and adopt appropriate measures.

15. The role of national reserve currencies should be reduced and the special drawing rights should become the central reserve asset of the international monetary system in order to provide for greater international control over the creation and equitable distribution of liquidity and in order to limit potential losses as a consequence of exchange rate fluctuations. Arrangements for gold should be consistent with the agreed objective of reducing the role of gold in the system and with equitable distribution of new international liquidity and should in particular take into consideration the needs

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of developing countries for increased liquidity.

16. The process of decision-making should be fair and responsive to change and should be most specially responsive to the emergence of new economic influence on the part of developing countries. The participation of developing countries in the decision-making process in the competent organs of international finance and development institutions should be adequately increased and made more effective without adversely affecting the broad geographic representation of developing countries and in accordance with the existing and evolving rules.

17. The compensatory financing facility now available through the International Monetary Fund should be expanded and liberalised. In this connexion, early consideration should be given by the Fund and other appropriate United Nations bodies to various proposals made at the current session - including the examination of a new development security facility - which would mitigate export earnings shortfalls of developing countries, with special regard to the poorest countries, and thus provide greater assistance to their continued economic development. Early consideration should also be given by the International Monetary Fund to proposals to expand and liberalise its coverage of current transactions to include manufactures and services, to ensure that, whenever possible, compensation for export shortfalls takes place at the same time they occur, to take into account, in determining the quantum of compensation, movements in import prices and to lengthen the repayment period.

18. Drawing under the buffer stock financing facility of the International Monetary Fund should be accorded treatment with respect to floating alongside the gold tranche, similar to that under the compensatory financing facility, and the Fund should expedite its study of the possibility of an amendment of the Articles of Agreement, to be presented to the Interim Committee, if possible in its next meeting, that would permit the Fund to provide assistance directly to international buffer stocks of primary products.

III. Science and Technology

1. Developed and developing countries should cooperate in the establishment, strengthening and development of the scientific and technological infrastructure of developing countries. Developed countries should also take appropriate measures, such as contribution to the establishment of an industrial technological information bank and consideration of the possibility of regional and sectoral banks, in order to make available a greater flow to developing countries of information permitting the selection of technologies, in particular advanced technologies. Consideration should also be given to the establishment of an international centre for the exchange of technological information for the sharing of research findings relevant to developing countries. For the above purposes institutional arrangements within the United Nations system should be examined by the General Assembly at its thirtieth session.

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2. Developed countries should significantly expand their assistance to developing countries for direct support to their science and technology programmes, as well as increase substantially the proportion of their research and development devoted to specific problems of primary interest to developing countries, and in the creation of suitable indigenous technology, in accordance with feasible targets to be agreed upon. The General Assembly invites the Secretary General to carry out a prelimirary study and to report to the Assembly at its thirty-first session on the possibility of establishing, within the framework of the United Nations system, an international energy institute to assist all developing countries in energy resources research and development.

3. All States should cooperate in evolving an international code of conduct for the transfer of technology, corresponding, in particular, to the special needs of the developing countries. Work on such a code should therefore be continued within the United Nations Conference on Trade and Development and concluded in time for decisions to be reached at the fourth session of the Conference, including a decision on the legal character of such a code with the objective of the adoption of a code of conduct prior to the end of 1977. International conventions on patents and trade marks should be reviewed and revised to meet, in particular, the special needs of the developing countries, in order that these conventions may become more satisfactory instruments for aiding developing countries in the transfer and developemnt of technology. National patents systems should, without delay, be brought into line with the international patent system in its revised form.

4. Developed countries should facilitate access of developing countries on favourable terms and conditions, and on an urgent basis, to informatique, to relevant information on advanced and other technologies suited to their specific needs as well as on new uses of existing technology, new developments, and possibilities of adopting them to local needs. Inasmuch as in market economies advanced technologies with respect to industrial production are most frequently developed by private institutions, developed countries should facilitate and encourage those institutions in providing effective technologies in support of the priorities of developing countries.

5. Developed countries should give developing countries the freest and fullest possible access to technologies whose transfer is not subject to private decision.

6. Developed countries should improve the transparency of the industrial property market in order to facilitate the technological choices of developing countries. In this respect, relevant organisations of the United Nations system, with the collaboration of developed countries, should undertake projects in the fields of information, consultancy and training for the benefit of developing countries.

7. A United Nations Conference on Science and Technology for Development should be held in 1978 or 1979 with the main objectives of strengthening the

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technological capacity of developing countries to enable them to apply science and technology to their own development; adopting effective means for the utilisation of scientific and technological potentials in the solution of development problems of regional and global significance, especially for the benefit of developing countries; and providing instruments of cooperation to developing countries in the utilisation of science and technology for solving socio-economic problems that cannot be solved by indidivual action, in accordance with national priorities, taking into account the recommendations made by the Intergovernmental Working Group of the Committee on Science and Technology for Development.

8. The United Nations system should play a major role, with appropriate financing, in achieving the above-stated objectives and in developing scientific and technological cooperation between all States in order to ensure the application of science and technology to development. The work of the relevant United Nations bodies, in particular that of the United Nations Conference on Trade and Development, the United Nations Industrial Development Organisations, the International Labour Organisation, the United Nations Educational, Scientific and Cultural Organisation, the Food and Agriculture Organisation of the United Nations, the World Intellectual Property Organisation and the United Nations Development Programme, to facilitate the transfer and diffusion of technology should be given urgent priority. The Secretary General of the United Nations should take steps to ensure that the technology and experience available within the United Nations system is widely disseminated and readily available to the developing countries in need of it.

9. The World Health Organisation and the competent organs of the United Nations system, in particular the United Nations Children's Fund, should intensify the international effort aimed at improving health conditions in developing countries by giving priority to prevention of disease and malnutrition and by providing primary health services to the communities, including maternal and child health and family welfare.

10. Since the outflow of qualified personnel from developing to developed countries seriously hampers the development of the former, there is an urgent need to formulate national and international policies to avoid the "brain drain" and to obviate its adverse effects.

IV. Industrialisation

1. The General Assembly endorses the Lima Declaration and Plan of Action on Industrial Development Cooperation and requests all Governments to take indidivually and/or collectively the necessary measures and decisions required to implement effectively their undertakings in terms of the Lima Declaration and Plan of Action.

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2. Developed countries should facilitate the development of new policies and strengthen existing policies, including labour market policies, which would encourage the redeployment of their industries which are less competitive internationally to developing countries, thus leading to structural adjustments in the former and a higher degree of utilisation of natural and human resources in the latter. Such policies may take into account the economic structure and the economic, social and security objectives of the developed countries concerned and the need for such industries to move into more viable lines of production or into other sectors of the economy.

3. A system of consultations as provided for by the Lima Plan of Action should be established at the global, regional, interregional and sectoral levels within the United Nations Industrial Development Organisation and within other appropriate international bodies, between developed and developing countries and among developing countries themselves, in order to facilitate the achievement of the goals set forth in the field of industrialisation, including the redeployment of certain productive capacities existing in developed countries and the creation of new industrial facilities in developing countries. In this context, the United Nations Industrial Development Organisation should serve as a forum for negotiation of agreements in the field of industry between developed and developing countries and among developing countries themselves, at the request of the countries concerned.

4. The Executive Director of the United Nations Industrial Development Organisation should take immediate action to ensure the readiness of that organisation to serve as a forum for consultations and negotiation of agreements in the field of industry. In reporting to the next session of the Industrial Development Board on actions taken in this respect, the Executive Director should also include proposals for the establishment of a system of consultations. The Industrial Development Board is invited to draw up, at an early date, the rules of procedure according to which this system would operate.

5. To promote cooperation between developed and developing countries, both should endeavour to disseminate appropriate information about their priority areas for industrial cooperation and the form they would like such cooperation to take. The efforts undertaken by the United Nations Conference on Trade and Development on tripartite cooperation between countries having different economic and social systems could lead to constructive proposals for the industrialisation of developing countries.

6. Developed countries should, whenever possible, encourage their enterprises to participate in investment projects within the framework of the development plans and programmes of the developing countries which so desire; such participation should be carried out in accordance with the laws and regulations of the developing countries concerned.

7. A joint study should be undertaken by all Governments under the auspices of the United Nations Industrial Development Organisation, in consultation with the Secretary General of the United Nations Conference on Trade

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and Development, making full use of the knowledge, experience and capacity existing in the United Nations system of methods and mechanisms for diversified financial and technical cooperation which are geared to the special and changing requirements of international industrial cooperation, as well as of a general set of guidelines for bilateral industrial cooperation. A progress report in this study should be submitted to the General Assembly at its thirty-first session.

8. Special attention should be given to the particular problems in the industrialisation of the least developed, land-locked and island developing countries - in order to put at their disposal those technical and financial resources as well as critical goods which need to be provided to them to enable them to overcome their specific problems and to play their due role in the world economy, warranted by their human and material resources.

9. The General Assembly endorses the recommendation of the Second General Conference of the United Nations Industrial Development Organisation to convert that organisation into a specialised agency and decides to establish an intergovernmental Committee of the whole, including States which participated in the Second General Conference, to meet in Vienna to draw up a constitution for the United Nations Industrial Development Organisation as a specialised agency, to be submitted to a conference of plenipotentiaries to be convened by the Secretary General in the last quarter of 1976.

10. In view of the importance of the forthcoming World Employment Conference, Governments should undertake adequate preparations and consultations.

V. Food and agriculture

1. The solution to world food problems lies primarily in increasing rapidly food production in the developing countries. To this end, urgent and necessary changes in the pattern of world food production should be introduced and trade policy measures should be implemented, in order to obtain a notable increase in agricultural production and the export earnings of developing countries.

2. To achieve these objectives, it is essential that developed countries and developing countries in a position to do so should substantially increase the volume of assistance to developing countries for agriculture and food production, and that developed countries should effectively facilitate access to their markets for food and agricultural products of export interest to developing countries, both in raw and processed form, and adopt adjustment measures, where necessary.

3. Developing countries should accord high priority to agricultural and fisheries development, increase investment accordingly and adopt policies which give adequate incentives to agricultural producers. It is a responsibility of each State concerned, in accordance with its sovereign judgement

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and development plans and policies, to promote interaction between expansion of food production and socio-economic reforms, with a view to achieving an integrated rural development. The further reduction of post-harvest food losses in developing countries should be undertaken as a matter of priority, with a view to reaching at least a 50 per cent reduction by 1985. All countries and competent international organisations should cooperate financially and technically in the effort to achieve this objective. Particular attention should be given to improvement in the systems of distribution of food-stuffs.

4. The Consultative Group on Food Production and Investment in Developing Countries should quickly identify developing countries having the potential for most rapid and efficient increase of food production, as well as the potential for rapid agricultural expansion in other developing countries, especially the countries with food deficits. Such an assessment would assist developed countries and the competent international organisations to concentrate resources for the rapid increase of agricultural production in the developing countries.

5. Developed countries should adopt policies aimed at ensuring a stable supply and sufficient quantity of fertilisers and other production inputs to developing countries at reasonable prices. They should also provide assistance to, and promote investments in, developing countries to improve the efficiency of their fertilizer and other agricultural input industries. Advantage should be taken of the mechanism provided by the International Fertilizer Supply Scheme.

6. In order to make additional resources available on concessional terms for agricultural development in developing countries, developed countries and developing countries in a position to do so should pledge, on a voluntary basis, substantial contributions to the proposed International Fund for Agricultural Development so as to enable it to come into being by the end of 1975, with initial resources of SDR 1,000 million. Thereafter, additional resources should be provided to the Fund on a continuing basis.

7. In view of the significant impact of basic and applied agricultural research on increasing the quantity and quality of food production, developed countries should support the expansion of the work of the existing international agricultural research centres. Through their bilateral programmes they should strengthen their links with these international research centres and with the national agricultural research centres in developing countries. With respect to the improvement of the productivity and competitiveness with synthetics of non-food agricultural and forestry products, research and technological assistance should be coordinated and financed through an appropriate mechanism.

8. In view of the importance of food aid as a transitional measure, all countries should accept both the principle of a minimum food aid target and the concept of forward planning of food aid. The target for the 1975-1976 season should be 10 million tons of food grains. They should also accept the

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principle that food aid should be channelled on the basis of objective assessment of requirements in the recipient countries. In this respect all countries are urged to participate in the Global Information and Early Warning System on Food and Agriculture.

9. Developed countries should increase the grant component of food aid, where food is not at present provided as grants, and should accept multilateral channelling of these resources at an expanding rate. In providing food grains and financing on soft-terms to developing countries in need of such assistance, developed countries and the World Food Programme should take due account of the interests of the food-exporting developing countries and should ensure that such assistance includes, wherever possible, purchases of food from the food-exporting developing countries.

10. Developed countries and developing countries in a position to do so should provide food grains and financial assistance on most favourable terms to the most seriously affected countries, to enable them to meet their food and agricultural development requirements within the constraints of their balance-of-payments position. Donor countries should also provide aid on soft-terms, in cash and in kind, through bilateral and multilateral channels, to enable the most seriously affected countries to obtain their estimated requirements of about 1 million tons of plant nutrients during 1975-1976.

11. Developed countries should carry out both their bilateral and multilateral food aid channelling in accordance with the procedures of the Principles of Surplus Disposal of the Food and Agriculture Organisation of the United Nations so as to avoid causing undue fluctuations in market prices or the disruption of commercial markets for exports of interest to exporting developing countries.

12. All countries should subscribe to the International Undertaking on World Food Security. They should build up and maintain world food-grain reserves, to be held nationally or regionally and strategically located in developed and developing, importing and exporting countries, large enough to cover foreseeable major production shortfalls. Intensive work should be continued on a priority basis in the World Food Council and other appropriate forums in order to determine, inter alia, the size of the required reserve, taking into account among other things the proposal made at the current session that the components of wheat and rice in the total reserve should be 30 million tons. The World Food Council should report to the General Assembly on this matter at its thirty-first session. Developed countries should assist developing countries in their efforts to build up and maintain their agreed shares of such reserves. Pending the establishment of the world food-grain reserve, developed countries and developing countries in a position to do so should earmark stocks and/or funds to be placed at the disposal of the World Food Programme as an emergency reserve to strengthen the capacity of the Programme to deal with crisis situations in developing countries. The aim should be a target of not less than 500,000 tons.

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13. Members of the General Assembly reaffirm their full support for the resolutions of the World Food Conference and call upon the World Food Council to monitor the implementation of the provisions of the present resolution and to report to the General Assembly at its thirty-first session.

VI. Cooperation among developing countries

1. Developed countries and the United Nations system are urged to provide, as and when requested, support and assistance to developing countries in strengthening and enlarging their mutual cooperation at subregional, regional and interregional levels. In this regard, suitable institutional arrangements within the United Nations development system should be made and, when appropriate, strengthened, such as those within hhe United Nations Conference on Trade and Development,the United Nations Industrial Development Organisation and the United Nations Development Programme.

2. The Secretary General, together with the relevant organisations of the United Nations system, is requested to continue to provide support to ongoing projects and activities, and to commission further studies through institutions in developing countries, which would take into account the material already available within the United Nations system, including in particular the regional commissions and the United Nations Conference on Trade and Development, and in accordance with existing subregional and regional arrangements. These further studies, which should be submitted to the General Assembly at its thirty-first session, should, as a first step, cover :

a) Utilisation of know-how, skills, natural resources, technology and funds available within developing countries for promotion of investments in industry, agriculture, transport and communications;

b) Trade liberalization measures including payments and clearing arrangements, covering primary commodities, manufactured foods and services, such as banking, shipping, insurance and reinsurance;

c) Transfer of technology.

3. These studies on cooperation among developing countries, together with other initiatives, would contribute to the evolution towards a system for the economic development of developing countries.

VII. Restructuring of sectors of the United Nations System

1. With a view to initiating the process of restructuring the United Nations system so as to make it more fully capable of dealing with problems of international economic cooperation and development in a comprehensive and effective manner, in pursuance of General Assembly resolutions 3172 (XXVIII) of 17 December 1973 and 3343 (XXIX) of 17 December 1974, and to make it more responsive to the requirements of the provisions of the Declaration and the Programme of Action on the Establishment of a New International Economic Order

as well as those of the Charter of Economic Rights and Duties of States, an Ad Hoc Committee on the Restruduring of the Economic and Social Sectors of the United Nations System, which shall be a committee of the whole of the General Assembly open to the participation of all States, is hereby established to prepare detailed action proposals. The Ad Hoc Committee should start its work immediately and inform the General Assembly at its thirtieth session on the progress made, and submit its report to the Assembly at its thirty-first session, through the Economic and Social Council at its resumed session. The Ad Hoc Committee should take into account in its work, inter alia, the relevant proposals and documentation submitted in preparation for the seventh special session of the General Assembly pursuant to Assembly resolution 3343 (XXIX) and other relevant decisions, including the report of the Group of Experts on the Structure of the United Nations System, entitled a New United Nations Structure for Global Economic Cooperation, the records of the relevant deliberations of the Economic and Social Council, the Trade and Development Board, the Governing Council of the United Nations Development Programme and the seventh special session of the General Assembly, as well as the results of the forthcoming deliberations on institutional arrangements of the United Nations Conference on Trade and Development at its fourth session and of the Governing Council of the United Nations Environment Programme at its fourth session. All United Nations organs, including the regional commissions, as well as the specialised agencies and the International Atomic Energy Agency, are invited to participate at the executive level in the work of the Ad Hoc Committee and to respond to requests that the Committee may make to them for information, data or views.

2. The Economic and Social Council should meanwhile continue the process of rationalisation and reform which it has undertaken in accordance with Council resolution 1768 (LIV) of 18 May 1973 and General Assembly resolution 3341 (XXIX) of 17 December 1974, and should take into full consideration those recommendations of the Ad Hoc Committee that fall within the scope of these resolutions at the latest at its resumed sixty-first session.

APPENDIX III

Press Communiqué of the Interim Committee of the IMF on the International Monetary System

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its fifth meeting in Kingston, Jamaica on January 7-8, 1976 under the chairmanship of Mr. Willy De Clercq, Minister of Finance of Belgium who was selected by the Committee to succeed Mr. John Turner of Canada as Chairman. Mr. H. Johannes Witteveen, Managing Director of the Fund, participated in the meeting. The following observers attended during the Committee's discussions : Mr. Henri Konan Bédié, Chairman, Bank-Fund Development Committee; Mr. G.D. Arsenis representing the Secretary General, UNCTAD; Mr. Wilhelm Haferkamp, Vice-President, EC Commission; Mr. Mahjoob A. Hassanain, Chief, Economics Department, OPEC; Mr. René Larre, General Manager, BIS; Mr. Emile van Lennep, Secretary General, OECD; Mr. F. Leutwiler, President, National Bank of Switzerland; Mr. Olivier Long, Director General, GATT; and Mr. Robert S. McNamara, President, IBRD.

2. The Committee endorsed the recommendations contained in the Report of the Executive Directors on the Sixth General Review of Quotas and the proposed Resolution on increases in the quotas of individual members to be submitted to the Board of Governors for its approval. In this connection, the Committee reaffirmed its view that the Fund's holdings of each currency should be usable in the Fund's operations and transactions in accordance with its policies. Appropriate provisions for this purpose will be included in the draft amendments of the Fund's Articles. To give effect to the Committee's view in the period before the amendments become effective, it was agreed that, within six months after the date of the adoption of this Resolution, each member shall make arrangements satisfactory to the Fund for the use of the member's currency in the operations and transactions of the Fund in accordance with its policies, provided that the Executive Directors may extend the period within which such arrangements shall be made.

3. The Committee considered the question of the implementation of the agreement reached at its fourth meeting regarding the disposition of a part of the Fund's holdings of gold. It was agreed that action should be taken to start without delay the simultaneous implementation of the arrangements referred to in paragraph 6 of the Press Communiqué issued by the Committee on August 31, 1975. The sales of gold by the Fund should be made in public auctions according to an appropriate timetable over a four-year period. It is understood that the Bank for International Settlements would be able to bid in these auctions.

4. In its discussion of the world economic situation and outlook, the Committee noted that recovery from the severe international recession of 1974-75 was now under way in much of the industrial world. Nevertheless, current rates of both unemployment and inflation were still unacceptably high. The Committee called on the industrial countries, especially those in relatively strong balance of payments positions, to conduct their policies so as to ensure a satisfactory and sustained rate of economic expansion in the period ahead while continuing to combat inflation. A special source of concern to the Committee was the deterioration in the external position of the primary

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producing countries, especially the developing ones. The general picture for the developing countries in 1975 was again one of large balance of payments deficits on current account, financed through heavy external borrowing and through the use of reserves already eroded by the inflation in recent years. With large current account deficits still in prospect this year, the Committee felt that the ability of many developing countries to maintain an adequate flow of imports in 1976, and to follow appropriate adjustment policies, would also depend on the availability of adequate credit from the Fund.

5. The Committee welcomed the recent decision of the Executive Directors liberalizing the Compensatory Financing Facility. Under the new decision the Fund will be prepared to authorize drawings up to 75 percent of a member's quota, as against 50 percent under the 1966 Decision. Maximum drawings in any one year are raised from 25 percent to 50 percent of quota. Moreover, the decision enables the Fund to render assistance under the facility at an earlier stage of the development of a shortfall.

6. The Committee noted the Report of the Executive Directors on their review of the Fund's policies on the use of its resources, and also on the Trust Fund for the benefit of the low income members. After consideration of the issues involved, the Committee reached the following conclusions :

a) It was agreed that the necessary steps should be taken to establish the Trust Fund without delay. Its resources would be derived from the profits of the sales of the Fund's gold, which should be augmented by voluntary national contributions. It was agreed that the amount of gold available for sale in accordance with the agreement reached by the Committee at its fourth meeting should be disposed of over a four-year period. The resources of the Trust Fund should be used to provide balance of payments assistance on concessionary terms to members with low per capita incomes. Initially, eligible members would be those with per capita incomes in 1973 not in excess of SDR 300.

b) It was further agreed, that, until the effective date of the amendment of the Articles, the size of each credit tranche should be increased by 45 percent, which would mean that total access under the credit tranches would be increased from 100 percent to 145 percent of quota, with the possibility of further assistance in exceptional circumstances. The present kinds of conditionality for the tranches would remain unchanged. The Fund will in due course consider again the question of access to the Fund's resources if it becomes evident that the needs of members make it advisable to reexamine this question.

7. The Committee noted the Report of the Executive Directors on amendment, welcomed the progress made towards the solution of the outstanding issues, and commended them for the voluminous and successful work that they had done in order to achieve a major revision of the Articles. In particular, it welcomed the agreement that has been reached on provisions concerning the important problem of exchange rates. In this respect, it has endorsed a

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new Article IV of the Articles of Agreement which establishes a system of exchange arrangements. The new system recognizes an objective of stability and relates it to achievement of greater underlying stability in economic and financial factors. The Committee considered the remaining issues on which its guidance has been requested by the Executive Directors and agreed as follows :

a) The amended Articles of Agreement should include a provision by which the members of the Fund would undertake to collaborate with the Fund and with other members in order to ensure that their policies with respect to reserve assets would be consistent with the objectives of promoting better international surveillance of international liquidity and making the special drawing right the principal reserve asset in the international monetary system.

b) The amended Articles would contain an enabling provision under which the Fund would be able to sell any part of the gold left after the distribution of 50 million ounces in accordance with the arrangements referred to in paragraph 3 above, and use the profits i) to augment the general resources of the Fund for immediate use in its ordinary operations and transactions, or ii) to make balance of payments assistance available on special terms to developing members in difficult circumstances. On the occasion of such sales the Fund would have the power to distribute to developing members a portion of the profits on the basis of their quotas or to make a similar distribution by the direct sale of gold to them at the present official price. Any decision on such a distribution should be taken by an 85 percent majority of the total voting power. These powers of the Fund would be in addition to the power that the Fund would have under another enabling provision to restitute to all members, on the basis of present quotas and at the present official price, any part of the gold left after the disposition of the 50 million ounces referred above.

c) Decisions of the Fund on the use of the profits from the sale of its gold in the regular operations and transactions of the Fund should be taken by a 70 percent majority of the total voting power and on decisions on use of the profits in other operations and transactions by an 85 percent majority of the total voting power.

d) The Executive Directors are urged to review, during the final stage of their work on the draft amendments, the majoritites for operational decisions that do not reflect compromises of a political character with a view to considering the reduction, if possible, of the number and size of the special majorities that would be required under the amended Articles for such operational decisions. Such a review should be completed within the coming weeks and should not delay the completion of the Comprehensive Draft Amendment.

e) The majority required for the adoption of decisions on the method of valuation of the SDR under the amended Articles should be 70 percent of the total voting power, with the exception of decisions involving a change in the principle of valuation or a fundamental change in the application of the principle in effect, which should be taken by an 85 percent majority of the

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total voting power.

f) The Executive Directors should continue their consideration of the subject of a substitution account without delaying completion of the Comprehensive Draft Amendment.

g) With respect to the obligation of participants in the Special Drawing Account to reconstitute their holdings of special drawing rights, it was agreed that the amended Articles should authorize the Fund to review the rules for reconstitution at any time and to adopt, modify, or abrogate these rules by a 70 percent majority of the total voting power.

8. The Committee requested the Executive Directors to complete their work on amendment in the light of the guidance given by the Committee, and expects that the Executive Directors will be able to submit a Comprehensive Draft Amendment for the approval of the Board of Governors, together with a Report, within the coming weeks.

APPENDIX IV

Text of the Puerto Rico Declaration, issued at the close of the summit meeting of seven countries on 27 and 28 June 1976 in San Juan de Puerto Rico.

The interdependence of our destinies makes it necessary for us to approach common economic problems with a sense of common purpose and to work toward mutually consistent economic strategies through better cooperation.

We consider it essential to take into account the interests of other nations. And this is most particularly true with respect to the developing countries of the world.

It was for these purposes that we held a broad and productive exchange of views on a wide range of issues. This meeting provided a welcome opportunity to improve our mutual understanding and to intensify our cooperation in a number of areas. Those among us whose countries are members of the European Economic Community intend to make their efforts within its framework.

At Rambouillet, economic recovery was established as a primary goal and it was agreed that the desired stability depends upon the underlying economic and financial conditions in each of our countries.

Significant progress has been achieved since Rambouillet. During the recession there was widespread concern regarding the longer-run vitality of our economies. These concerns have proved to be unwarranted. Renewed confidence in the future has replaced doubts about the economic and financial outlook. Economic recovery is well under way and in many of our countries there has been substantial progress in combatting inflation and reducing unemployment. This has improved the situation in those countries where economic recovery is still relatively weak.

Our determination in recent months to avoid excessive stimulation of our economies and new impediments to trade and capital movements has contributed to the soundness and breadth of this recovery. As a result, restoration of balanced growth is within our grasp. We do not intend to lose this opportunity.

Our objective now is to manage effectively a transition to expansion which will bc sustainable, which will reduce the high level of unemployment which persists in many countries and will not jeopardize our common aim of avoiding a new wave of inflation. That will call for an increase in productive investment and for partnership among all groups within our societies. This will involve acceptance, in accordance with our individual needs and circumstances, of a restoration of better balance in public finance, as well as of disciplined measures in the fiscal area and in the field of monetary policy and in some cases supplementary policies, including incomes policy.

The formulation of such policies, in the context of growing interdependence, is not possible without taking into account the course of economic activity in other countries. With the right combination of policies we believe that we can achieve our objectives of orderly and sustained expansion, reducing unemployment and renewed progress toward our common goal of eliminating the problem of inflation. Sustained economic expansion and the resultant increase in individual well-being cannot be achieved in the context of high rates of inflation.

At the meeting last November, we resolved differences on structural reform of the international monetary system and agreed to promote a stable system of exchange rates which emphasized the pre-requisite of developing stable underlying economic financial conditions.

With those objectives in mind, we reached specific understandings, which made a substantial contribution to the IMF meeting in Jamaica. Early legislative ratification of these agreements by all concerned is desirable. We agreed to improve cooperation in order to further our ability to counter disorderly market conditions and increase our understanding of economic problems and the corrective policies that are needed. We will continue to build on this structure of consultations.

Since November, the relationship between the dollar and most of the main currencies has been remarkably stable. However, some currencies have suffered substantial fluctuations.

The needed stability in underlying economic and financial conditions clearly has not yet been restored. Our commitment to deliberate, orderly and sustained expansion, and to the indispensable companion goal of defeating inflation provides the basis for increased stability.

Our objective of monetary stability must not be undermined by the strains of financing international payments imbalances. We thus recognize the importance of each nation managing its economy and its international monetary affairs so as to correct or avoid persistent or structural international payments imbalances. Accordingly, each of us affirms his intention to work toward a more stable and durable payments structure through the application of appropriate internal and external policies.

Imbalances in world payments may continue in the period ahead. We recognize that problems may arise for a few developed countries which have special needs, which have not yet restored domestic economic stability, and which face major payments deficits.

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We agree to continue to cooperate with others in the appropriate bodies on further analysis of these problems with a view to their resolution. If assistance in financing transitory balance of payments deficits is necessary to avoid general disruptions in economic growth, then it can best be provided by multilateral means coupled with a firm program for restoring underlying equilibrium.

In the trade area, despite the recent recession, we have been generally successful in maintaining an open trade system. At the OECD we reaffirmed our pledge to avoid the imposition of new trade barriers.

Countries yielding to the temptation to resort to commercial protectionism would leave themselves open to a subsequent deterioration in their competitive standing, the vigor of their economies would be affected while at the same time chain reactions would be set in motion and the volume of world trade would shrink, hurting all countries.

Wherever departures from the policy set forth in the recently renewed OECD trade pledge occur, elimination of the restrictions involved is essential and urgent. Also, it is important to avoid deliberate exchange rate policies which would create severe distortion in trade and lead to a resurgence of protectionism.

We have all set ourselves the objective of completing the multilateral trade negotiations by the end of 1977. We hereby reaffirm that objective and commit ourselves to make every effort through the appropriate bodies to achieve it in accordance with the Tokyo Declaration.

Beyond the conclusion of the trade negotiations we recognize the desirability of intensifying and strengthening relationships among the major trading areas with a view to the long-term goal of a maximum expansion of trade.

We discussed East-West economic relations. We welcomed in this context the steady growth of East/West trade, and expressed the hope that economic relations between East and West would develop their full potential on a sound financial and reciprocal commercial basis. We agreed that this process warrants our careful examination, as well as efforts on our part to ensure that these economic ties enhance overall East/West relationships.

We welcome the adoption, by the participating countries, of converging guidelines with regard to export credits. We hope that these guidelines will be adopted as soon as possible by as many countries as possible.

In the pursuit of our goal of sustained expansion, the flow of capital facilitates the efficient allocation of resources and thereby enhances our economic well-being. We, therefore, agree on the importance of a liberal climate for international investment flows. In this regard, we view as a constructive development the Declaration which was announced last week when the OECD Council met at the ministerial level.

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In the field of energy, we intend to make efforts to develop, conserve and use rationally the various energy resources and to assist the energy development objectives of developing countries.

We support the aspiration of the developing nations to improve the lives of their people. Cooperation between the two groups must be based on mutual respect, take into consideration the interests of all parties and reject unproductive confrontation in favor of sustained and concerted efforts to find constructive solutions to the problems of development.

The industrialised democracies can be most successful in helping the developing countries meet their aspirations by agreeing on, and cooperating to implement, sound solutions to their problems which enhance the efficient operation of the international economy. Close collaboration and better coordination are necessary among the industrialised democracies. Our efforts must be mutually supportive, not competitive. Our efforts for international economic cooperation must be considered as complementary to the policies of the developing countries themselves to achieve sustainable growth and rising standards of living.

At Rambouillet, the importance of a cooperative relationship between the developed and developing nations was affirmed, particular attention was directed to following up the results of the seventh special session of the U.N. General Assembly, and especially to addressing the balance of payments problems of some developing countries. Since then, substantial progress has been made. We welcome the constructive spirit which prevails in the work carried out in the framework of the Conference on International Economic Cooperation, and also by the positive results achieved in some areas at UNCTAD IV in Nairobi. New measures taken in the IMF have made a substantial contribution to stabilizing the export earnings of the developing countries and to helping them finance their deficits.

We attach the greatest importance to the dialogue between developed and developing nations in the expectation that it will achieve concrete results in areas of mutual interest. And we reaffirm our countries' determination to participate in this process in the competent bodies, with a political will to succeed, looking toward negotiations, in appropriate cases. Our common goal is to find practical solutions which contribute to an equitable and productive relationship among all peoples.

APPENDIX V. a)

Fourth Session of the United Nations Conference on Trade and Development (UNCTAD) in Nairobi Resolution 93 (IV) on an Integrated Programme for Commodities, adopted on 30 May 1976

The United Nations Conference on Trade and Development,

Recalling the Declaration and the Programme of Action on the Establishment of a New International Economic Order (1) as well as the Charter of Economic Rights and Duties of States (2), which lay down the foundations of the new international economic order, General Assembly resolution 623 (VII) of 21 December 1952 and Conference recommendation A.II.1.

Recalling, in particular, section I, paragraph 3(a) (iv), of the Programme of Action on the Establishment of a New International Economic Order, relating to the preparation of an overall integrated programme for "a comprehensive range of commodities of export interest to developing countries",

Recalling also section I, paragraph 3, of General Assembly resolution 3362 (S-VII) of 16 September 1975, which states, *inter alia*, that "an important aim of the fourth session of the United Nations Conference on Trade and Development, in addition to work in progress elsewhere, should be to reach decisions on the improvement of market structures in the field of raw materials and commodities of export interest to the developing countries, including decisions with respect to an integrated programme and the applicability of elements thereof",

Taking note of the work undertaken on commodities in preparation for the fourth session of the Conference, in particular the proposals submitted by the Secretary-General of UNCTAD for an integrated programme for commodities,

Reaffirming the important role of UNCTAD in the field of commodities,

Bearing in mind resolution 16 (VIII) of the Committee on Commodities concerning decisions by the Conference at its fourth session with respect to an integrated programme for commodities, on, *inter alia* :

a) objectives
b) commodities to be covered,

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(1) General Assembly resolutions 3201 (S-VI) and 3202 (S-VI) of I May 1974; the latter was reproduced in Appendix 3 to the General Report 1974, R 147 EC (74) 6 Part II

(2) General Assembly resolution 3281 (XXIX) of 12 December 1974; reproduced as Appendix II to the General Report 1975, S 151 EC (75) 7, Part II.

c) international measures;
d) follow-up procedures and time-table for the implementation of agreed measures;

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

Recognizing the need to conduct international trade on the basis of mutual advantage and equitable benefits, taking into account the interests of all States, particularly those of the developing countries,

Recognizing also the need for improved forms of international cooperation in the field of commodities which should promote economic and social development, particularly of the developing countries,

Recognizing further the urgent need for substantial progress in stimulating food production in developing countries and the important bearing of international commodity policies on this aim,

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

Bearing in mind the view that there might be financial savings in operating a central facility for the purpose of financing buffer stocks,

Taking note of the readiness of a number of countries, expressed prior to and at the fourth session of the Conference, to participate in and financially support a common fund,

Noting that there are differences of views as to the objectives and modalities of a common fund,

Convinced of the need for an overall approach and an integrated programme for commodities which is a programme of global action to improve market structures in international trade in commodities of interest to developing countries, and which is consistent with the interests of all countries, particularly those of the developing countries, and assures a comprehensive view of the various elements involved while respecting the characteristics of individual commodities,

Decides to adopt the following Integrated Programme for Commodities :

I. OBJECTIVES

With a view to improving the terms of trade of developing countries and in order to eliminate the economic imbalance between developed and developing countries, concerted efforts should be made in favour of the developing countries towards expanding and diversifying their trade, improving

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and diversifying their productive capacity, improving their productivity and increasing their export earnings, with a view to counteracting the adverse effects of inflation, thereby sustaining real incomes. Accordingly the following objectives are agreed :

1. To achieve stable conditions in commodity trade, including avoidance of excessive price fluctuations, at levels which would :

a) be remunerative and just to producers and equitable to consumers;
b) take account of world inflation and changes in the world economic and monetary situations;
c) promote equilibrium between supply and demand within expanding world commodity trade;

2. To improve and sustain the real income of individual developing countries through increased export earnings, and to protect them from fluctuations in export earnings, especially from commodities;

3. To seek to improve market access and reliability of supply for primary products and the processed products thereof, bearing in mind the needs and interests of developing countries;

4. To diversify production in developing countries, including food production, and to expand processing of primary products in developing countries with a view to promoting their industrialization and increasing their export earnings;

5. To improve the competitiveness of, and to encourage research and development on the problems of, natural products competing with synthetics and substitutes, and to consider the harmonization, where appropriate, of the production of synthetics and substitutes in developed countries with the supply of natural products produced in developing countries;

6. To improve market structures in the fiels of raw materials and commodities of export interest to developing countries;

7. To improve marketing, distribution and transport system for commodity exports of developing countries, including an increase in their participation in these activities and their earnings from them.

II. COMMODITY COVERAGE

The commodity coverage of the Integrated Programme should take into account the interests of developing countries in bananas, bauxite, cocoa, coffee, copper, cotton and cotton yarns, hard fibres and products, iron ore, jute and products, manganese, meat, phosphates, rubber, sugar, tea, tropical timber, tin, and vegetable oils, including olive oil, and oilseeds, among others, it being understood that other products could be included, in accordance with the procedure set out in section IV below.

III. INTERNATIONAL MEASURES OF THE PROGRAMME

1. It is agreed that steps will be taken, as described in section IV, paragraphs 1 to 3, below, towards the negotiation of a common fund.

2. It is also agreed to take the following measures, to be applied singly or in combination, including action in the context of international commodity arrangements between producers and consumers, in the light of the characteristics and problems of each commodity and the special needs of developing countries :

a) Setting up of international commodity stocking arrangements;
b) Harmonization of stocking policies and the setting up of coordinated national stocks;
c) Establishment of pricing arrangements, in particular negotiated price ranges, which would be periodically reviewed and appropriately revised, taking into account *inter alia*, movements in prices of imported manufactured goods, exchange rates, production costs and world inflation, and levels of production and consumption;

d) Internationally agreed supply management measures, including export quotas and production policies and, where appropriate, multilateral long-term supply and purchase commitments;
e) Improvement of procedures for information and consultation on market conditions;
f) Improvement and enlargement of compensatory financing facilities for the stabilization, around a growing trend, of export earnings of developing countries;
g) Improvement of market access for the primary and processed products of developing countries through multilateral trade measures in the multilateral trade negotiations, improvement of schemes of generalized preferences and their extension beyond the period originally envisaged, and trade promotion measures;

h) International measures to improve the infrastructure and industrial capacity of developing countries, extending from the production of primary commodities to their processing, transport and marketing, as well as to the production of finished manufactured goods, their transport, distribution and exchange, including the establishment of financial, exchange and other institutions for the remunerative management of trade transactions;
i) Measures to encourage research and development on the problems of natural products competing with synthetics and consideration of the harmonization where appropriate, of the production of synthetics and substitutes in developed countries with the supply of natural products produced in developing countries;
j) Consideration of special measures for commodities whose problems cannot be adequately solved by stocking and which experience a persistent price decline.

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3. The interests of developing importing countries, particularly the least developed and the most seriously affected among them, and those lacking in natural resources, adversely affected by measures under the Integrated Programme, should be protected by means of appropriate differential and remedial measures within the Programme.

4. Special measures, including exemption from financial contributions, should be taken to accommodate the needs of the least developed countries in the Integrated Programme for Commodities.

5. Efforts on specific measures for reaching arrangements on products, groups of products or sectors which, for various reasons, are not incorporated in the first stage of application of the Integrated Programme should be continued.

6. The application of any of the measures which may concern existing international arrangements on commodities covered by the Integrated Programme would be decided by governments within the commodity organisations concerned.

IV. PROCEDURES AND TIME-TABLE

1. The Secretary General of UNCTAD is requested to convene a negotiating conference open to all members of UNCTAD on a common fund no later than March 1977.

2. The Secretary General of UNCTAD is further requested to convene preparatory meetings prior to the conference referred to in paragraph 1 above concerning, *inter alia* :

a) Elaboration of objectives;
b) The financing needs of a common fund and its structure;
c) Sources of finance;
d) Mode of operations;
e) Decision-making and fund management.

3. Member countries are invited to transmit to the Secretary General of UNCTAD, prior to 30 September 1976, any proposals they may have concerning the above and related issues.

4. The Secretary General of UNCTAD is further requested to convene, in consultation with international organisations concerned, preparatory meetings for international negotiations on individual products, in the period beginning 1 September 1976. These meetings should complete their work as soon as possible, but not later than February 1978. The task of the preparatory meetings shall be to :

a) Propose appropriate measures and techniques required to achieve the objectives of the Integrated Programme;
b) Determine financial requirements resulting from the measures and techniques proposed;

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c) Recommend follow-up action required through the negotiation of commodity agreements, or other measures;

d) Prepare draft proposals of such agreements for the consideration of governments and for use in commodity negotiating conferences.

5. The Secretary General of UNCTAD is further requested to convene, as and when required, commodity negotiating conferences as soon as possible after the completion of each preparatory meeting held pursuant to paragraph 4 above. These negotiations should be concluded by the end of 1978.

6. The Secretary General of UNCTAD is requested to undertake the necessary arrangements for the servicing of the preparatory meetings and the subsequent commodity negotiating conferences, in cooperation with the secretariats of the specialised commodity bodies and other organisations concerned.

7. It is agreed that international negotiations or renegotiations on individual commodities covered by existing agreements shall be in accordance with appropriate established procedures for the purpose of concluding international arrangements.

8. The Trade and Development Board is instructed to establish an ad hoc intergovernmental committee to coordinate the preparatory work and the negotiations, to deal with major policy issues that may arise, including commodity coverage, and to coordinate the implementation of the measures under the Integrated Programme.

APPENDIX V. b)

Resolution 94 (IV) on
debt problems of developing countries

The United Nations Conference on Trade and Development,

Bearing in mind the mounting debt burden and the critical problems of many developing countries,

Recalling the contribution that UNCTAD has been making in the field of debt problems of developing countries,

1. Welcomes the fact that at the fourth session of the Conference the governments of the developed countries pledged themselves to respond in a multilateral framework by quick and constructive consideration of individual requests, with a view to taking prompt action to relieve developing countries suffering from debt-service difficulties, in particular least developed countries and most seriously affected developing countries;

2. Invites appropriate existing international fora to determine, before the end of 1976, what features might usefully be discerned from past operations, together with others that might be identified in the light of the present situation of the least developed countries, the most seriously affected developing countries and other countries in need, which could provide guidance in future operations relating to debt problems as a basis for dealing flexibly with individual cases;

3. Requests the Trade and Development Board, at its ministerial session to be held in 1977, to review the action taken in pursuance of the present resolution, and requests the Secretary-General of UNCTAD to convene an intergovernmental group of experts to assist as necessary in that task.

APPENDIX VI

A DRAFT CODE ON PRINCIPLES ON MULTINATIONAL ENTERPRISES AND GOVERNMENTS

submitted to the meeting between delegations from the European Parliament and the US Congress on 19-23 September 1976 in Washington

by Mr. Erwin Lange (European Parliament) and Mr. Sam Gibbons (US Congress)

Preface

We, as representatives of the European Parliament and the United States Congress, urge agreement to the principles embodied in this Code.

We do so with the knowledge that other groups and organizations have undertaken useful work in this area, but that little progress has been made toward establishing a framework of law and responsibility for multinational enterprises and governments.

We hope that this Code will prove to be a fruitful effort toward that end, and that it will serve as the basis for needed changes in national laws, government practices, international agreements, and the policies of multinational enterprises.

Introductory Remarks

1. The internationalization of production is a logical consequence of the development of our economies. As such, it is a positive phenomenon, contributing to economic growth and increasing prosperity.

2. Nonetheless, the organization of operations beyond national borders by multinational enterprises may lead to undesirable concentrations of economic power and to conflicts with national policy objectives.

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3. Therefore, it is appropriate to seek to encourage the positive contributions which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties and problems which may arise from their operations.

4. Just as it is normal for firms increasingly to carry on activities beyond the frontiers of their own country, so it is normal and necessary for an international framework to be set up for these international activities, obliging the firms in question to respect certain basic rules and at the same time offering them the necessary legal security.

5. Economic integration, as embodied in multinational enterprises, has stolen a march on politics, for which in most cases the national frontiers remain the relevant framework. Although far-going economic interdependence can be a useful stimulus toward political integration, it is nevertheless essential in international relations too for public policies to take precedence over economics; that is, the framework in which the multinational enterprise operates must be under political control. This condition is not being met at present. Accordingly, certain rules need to be laid down in an international agreement.

6. The problems connected with the activities of multinational enterprises can no longer be dealt with only in a national context and cannot yet be solved on a world scale. Agreements on multinational enterprise activity among industrial nations would represent a great step forward. The delegations of the United States Congress on the one hand and that of the European Parliament on the other can in the first instance help to bring about an agreement between the United States and the European Community, to which Japan, Canada, and other industrial countries may later accede.

<u>General Framework</u>

7. International agreements are to be concluded initially between the United States and the European Community. Subsequently, the agreements are to be expanded to include all world nations.

8. The agreements are to have the force of law in all nations which are parties to them and are to impose legally binding obligations on firms based in or operating in those countries.

9. For purposes of this Code, multinational enterprises (MNEs) are defined as companies of private, state, or mixed ownership established in different countries and so linked that one can exercise a significant influence over others.

10. These international agreements are to be implemented and enforced through the mutual cooperation of the governments which are parties and through existing institutions of international law.

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11. If mutual cooperation and existing international institutions fail to adequately implement and enforce the agreements, an international secretariat may be established to administer these agreements. In establishing a secretariat, due regard is to be given to the population and economies of the government parties involved.

12. The agreements are to bind all firms so as not to discriminate against multinational enterprises and in favour of national enterprises.

13. Multinational enterprises are to obey national and international laws and to respect the national policy objectives of parent and host countries.

14. Governments which are parties to these agreements are to treat multinational enterprises according to international law and are to deal with conflicts of national laws as they affect multinational enterprises. When necessary, in cases of disputes over investments and other matters, governments are to use international dispute mechanisms. Where such mechanisms fail to resolve disputes, host countries are to prevail.

15. During the time prior to the completion of these agreements, the governments which are to be parties shall enter into temporary agreements under which the provisions of this Code are to be followed. These transition agreements shall provide for efforts toward harmonization of national legislation to reach compliance with the provisions of this Code in anticipation of the permanent agreements.

> Explanatory note : From the outset, the governments which are to be parties to the international agreements should consult and conclude agreements on administrative aid and on the mutual recognition and enforcement of court judgements, etc., in order to acquire a measure of control over the international activities of these enterprises until effective international agreements have been worked out. Better cooperation among government authorities in this transition period will do much to prevent the circumvention of national laws and policies.

Information

16. Every multinational enterprise is to publish a yearly report disclosing the scope and nature of its activities, the financial situation of the enterprise, and the connections between it and other enterprises. Comparable national enterprises are to publish this same information.

17. The following information, broken down by specific operations (lines of business) and countries of establishment, is to be published :

(a) The financial and operational structure of the enterprise.

(b) The financial and personal links with other concerns.

(c) The funds invested, reinvested, and transferred to the home country of the enterprise.

(d) The origin and composition of capital, existing and new.

(e) The number of employees, jobs created, jobs abolished, and host country nationals working at various levels of the enterprise.

(f) The balance sheet and profit and loss account, including gross sales.

(g) The total amount of taxes paid, broken down to show the amount of each type of tax paid and the amount of each type paid to each individual taxing authority.

(h) Expenditures on research and development.

(i) Income from royalties, licenses, and management contracts.

(j) Such other reasonable information as is requested by government authorities.

Due regard is to be given to legitimate reasons for firms to preserve the confidentiality of certain business information. Governments are to agree on safeguards and penalties to prevent the inappropriate and indiscriminate use of information provided by multinational enterprises and other enterprises.

18. Multinational enterprises of significant size are to use a system of standardized annual accounts and reports. This system is to be established pursuant to international agreement.

Competition

19. All information relevant to the operation of a multinational enterprise, including information in the hands of its establishments abroad, shall be accessible to antitrust bodies. National antitrust bodies are to exchange information and mutually support each other in investigations of restrictive practices, and are to be able to take joint action against abuses of power.

Explanatory note : Multinational enterprises, like other large enterprises, frequently have technical or financial advantages over their competitors, giving them a certain position of power. Competition policy should be aimed at checking abuse of this position. To achieve this, much more intensive cooperation is essential between antitrust authorities of the United States and the European Community. Controlling multinational enterprises is made more difficult by the

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problems of implementation than by shortcomings in national legislation. The antitrust bodies are frequently unable to prove abuse by a multinational enterprise because the necessary evidence is in the hands of another of its establishments abroad, creating the need for free access to information.

20. The international agreements are to provide safeguards and penalties to prevent the inappropriate or indiscriminate use of antitrust information for purposes such as the creation of a competitive advantage for another firm.

21. Multinational enterprises are to avoid action which would adversely affect competition, such as price fixing, restricting the freedom of operation of subsidiaries and licensees, acquiring interests in competitively significant enterprises, or engaging in restrictive cartels or agreements. They are to cooperate with government competition enforcement authorities and to provide information requested by these authorities.

22. Governments are to enforce antitrust laws against the various enterprises objectively and are to treat all enterprises in a non-discriminatory manner.

> <u>Explanatory note</u> : There appears to be a trend toward increased involvement of governments in enterprises, including direct ownership of firms. If this trend continues, it can be questioned whether such governments can continue to remain objective with regard to the enforcement of antitrust and other laws against enterprises in which they are involved, as opposed to other enterprises.

<u>Investment Policy</u>

23. Multinational enterprises are to report planned investments to government authorities in the countries where the investments are to be made. These government authorities have the right to regulate investment in their countries.

24. The governments of nations that are parties to these agreements are to promulgate regulations governing open bids for total or partial takeovers of existing firms. Such regulations are to provide that adequate prior information be given to government officials, to officials, workers, and shareholders of the firm to be taken over, and to trade unions.

> <u>Explanatory note</u> : More than half of all direct investments abroad involve takeovers of existing firms rather than new, direct investments. Policy considerations dictate greater restrictions over such takeovers of existing firms.

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25. The international agreements are to harmonize existing national investment regulations, including guaranteeing, in the event of foreign takeovers of firms, protection of jobs, investment policies, maintenance of national management, maintenance of research activities, and a certain share of exports. The agreements, while recognizing national policy objectives, are to minimize distortions to trade and investment, to harmonize incentives and disincentives, and to avoid discrimination based on country of origin.

> Explanatory note : Regulations currently in effect in Canada, Belgium, and Britain provide certain guarantees in the event of foreign takeovers of firms.

Fiscal Policy

26. Multinational enterprises are to provide government tax authorities with the information necessary for a correct determination of taxes due. Multinational enterprises may not use the distortion of transfer prices and other practices which alter their tax base or contravene national tax laws or policies.

27. Accounting practices of multinational enterprises and tax policies of governments are to reflect the principle that taxes are to be paid in the country where the income is earned. Dividend and interest income are to be taxed to shareholders and investors by their respective governments. Government authorities may disregard third party holding companies and other entities used to hold income and thereby avoid taxation by taxing this income directly to shareholders as though it were received currently.

28. Government authorities are to :

(a) Upgrade present efforts to facilitate the enforcement of national tax laws and policies by entering into tax treaties or other international agreements providing for the comprehensive mutual exchange of information and assistance. Adequate staff support is to be provided for these efforts. Tax authorities of several governments may engage in simultaneous or joint audits of selected enterprises.

(b) Seek to harmonize the withholding tax on portfolio investment in the various countries.

(c) Seek to harmonize other national tax laws, especially those affecting foreign investment.

(d) Take steps to combat the abuse of agreements for the avoidance of double taxation.

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29. International agreements are to provide for common actions against enterprises that misuse tax havens. For purposes of this paragraph, tax havens are defined as countries or areas with many or all of the following characteristics : low taxes, little or no exchange control, bank secrecy, no exchange of fiscal data with foreign authorities, a developed banking system, and political stability. The agreements are to provide for coordinated international action against such enterprises, such as denial of the right to open new facilities in the countries that are parties to these agreements, or denial of tax deductions for payments to tax haven countries in computing tax due to any of the countries which are parties to the agreements, or elimination of the withholding tax on portfolio investment for all investors except those giving tax haven countries as their residence.

30. The agreements are to provide for establishment of effective international mechanisms for the settlement of tax disputes.

31. The agreements are to provide safeguards and penalties to protect against the inappropriate and indiscriminate use by governments of tax information provided to them.

32. The agreements are to provide for the elimination of undue secrecy surrounding reporting of income earned by banks and others in all countries.

> Explanatory note : Such secrecy is not justified and is harmful to the legitimate revenue interests of all countries.

33. The agreements are to provide for coordinated action by government tax authorities instead of unilateral corrective action. Such coordinated action may include penalties for violations of principles established by the agreements and by special agreements among the various countries.

> Explanatory note : Unilateral corrective action in tax areas such as financial secrecy, determination of transfer prices, or action against tax haven holding companies could result in flights of capital to other countries. This provision envisions coordinated action under these international agreements to prevent adverse consequences which could result from unilateral action and to effectively eliminate the non-taxation of income.

34. Measures for corporate or shareholder tax relief or integration of corporate and personal income tax systems currently being implemented or studied are to be modified or reconsidered so as to prevent discrimination against foreign shareholders.

> Explanatory note : Tax relief or integration measures which discriminate against foreign shareholders are not compatible with the free flow of investment, and thus should be modified or reconsidered.

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35. The agreements are to provide for the elimination of discrimination in tax treatment against foreign-based enterprises by governments using any method of tax assessment, including the unitary method.

Explanatory note : Under the unitary method, a multinational enterprise is taxed on the basis of its consolidated profit, and the profit assigned to a particular firm by government tax authorities is based on the firm's sales in a country or state and its assets and employment there. There are some indications that this method of taxing is being administered inequitably with regard to foreign-based enterprises.

36. Transfer prices are defined as the prices applied in transactions which take place within an enterprise. The following provisions applicable to transfer prices of goods apply equally to transfer prices of services, including financial services and payments for the use of technical know-how, trademarks, and patents.

37. Government authorities are to supervise transfer prices and act against enterprises employing transfer price practices directed at avoiding taxation.

Explanatory note : Transactions within multinational enterprises (between subsidiaries of the same enterprise or between a subsidiary and the parent company) constitute an important part of international trade. Fixing the prices for these operations gives multinationals possibilities that firms with establishments in only one country may not have, and may put multinationals in a position to make more profit. A multinational enterprise can have various reasons for setting a transfer price different from the price applicable to a sale from the firm to another independent firm. An enterprise with operations in various countries seeks to declare the highest possible profit in countries with low taxation levels and to keep declared profit low in countries with high taxation levels. Multinational enterprises may also seek to set transfer prices such that more profit goes to wholly owned subsidiaries than to firms in which they have only part interest. Multinationals may use transfer price setting to achieve low profits or losses in countries where subsidiaries face important wage negotiations. Stability of currency in the country of establishment, exchange control, and risk of nationalization are also factors here.

38. The agreements are to provide for establishment of rules for transfer pricing and a mechanism for determining appropriate transfer prices.

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Explanatory note : Such rules can be based on the arms length principle, the cost-plus basis, a comparison of reported transfer prices with prices of similar goods delivered during a recent period of time or goods delivered at another location at about the same time, or a comparison of the profit or loss margin on the goods with average profits and losses on similar goods sold by other firms.

39. Governments must apply whatever taxing methods are employed to tax various enterprises on an equitable basis, so as not to discriminate.

Explanatory note : Governments may sometimes tax firms which use transfer pricing by taxing at a figure higher than reported profit where the latter figure is judged too low. Whatever method is employed must be applied in a non-discriminatory manner.

Capital Market Policy and Monetary Policy

40. Multinational enterprises are to respect the balance of payments and the monetary and credit objectives of parent and host countries.

41. Consideration is to be given to requiring banks in countries which are parties to these agreements to regularly inform the central bank of their countries of domicile of their forward exchange positions. Information is to be supplied monthly and is to cover all capital movements within the enterprise. These regulations are to be expanded to apply to all countries of the European Community and the United States and to all enterprises of significant size.

Explanatory note : It is desirable for monetary authorities to have accurate data on international capital movements. The procedure set forth here follows that currently used in some European countries.

42. Government authorities are to avoid unduly restrictive capital controls and are to consult and cooperate in doing so.

43. Enterprises are to allow residents of host countries to acquire their shares. Agreements can provide that a foreign enterprise having recourse to the capital market in the host country must do so partly through an increase in its equity capital available to host country nationals.

Social Policy and Labour Market Policy

44. Multinational enterprises are to afford representatives of the workers the opportunity to hold consultations with management responsible for the policy of the firm. Group works councils or other appropriate labour representatives must be allowed to negotiate directly with the

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central management. Alternatively, the management of the national firm is to provide the workers with all information relevant to their well-being and working conditions and to act with the necessary autonomy.

> Explanatory note : This paragraph focuses on the situation often present where trade unions of a country have to deal with management having only limited powers.

45. As a rule, at least one host country national is to have a seat on the management board of a firm that is part of a multinational enterprise.

46. Enterprises are to inform and consult with workers in good time on matters affecting them. In the event of mass layoffs, workers are to have an important voice in drawing up the labour phase-out plans. Enterprises involved in mergers are to guarantee retention of pension and other acquired rights. In cases of industrial labour disputes, operations carried out in some parts and branches of an enterprise are not to be taken over by other parts or branches of the same enterprise in order to thwart the legitimate and legal objectives of workers.

47. Multinational enterprises are to recognize trade unions, workers' bargaining units, direct representatives of the staffs (work councils), or other duly constituted workers' organizations as contractual partners in negotiations on wage agreements and the fixing of work conditions of the workers employed in a firm. Steps are to be taken to establish the framework for internationally valid collective bargaining agreements.

48. Multinational enterprises are to observe national and local employment and industrial relations laws, standards, and practices.

49. Multinational enterprises are to avoid discrimination on the basis of sex, age, religion, race,ethnic or national origin, or political activity.

50. Firms are to provide jobs in the host country for host country citizens. Local nationals are to have seats on the management bodies of firms or subsidiaries.

Technology

51. Multinational enterprises are to add to local scientific and technological capabilities and are to permit the dissemination of technological know-how on reasonable terms.

Pernicious Political Activities

52. Multinational enterprises shall not make or be solicited to make payments in money or other items of value to host government officials,

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other than for manifest public purposes. Multinational enterprises shall not contribute to political parties or candidates in any way unless such contributions are lawful and details on the amounts and beneficiaries are disclosed in a timely manner.

> Explanatory note : This provision is aimed at preventing multinational enterprises from attempting to exercise undue influence over host country policies.

53. Governments are to adopt strong penalties for violations of the foregoing prohibition. Penalties may include any of the following : denial of a business tax deduction for any such unlawful payments; heavy fines and/or prison sentences, and the denial of normal business tax treatment and benefits to any business income connected with such unlawful payments.

54. Member governments which have concluded an international agreement covering pernicious political activities are to assume an active role in sharing with other governments involved any information they have on any such activity perpetrated by officials of an enterprise or by government officials.