

ELEMENTS FOR AN AGENDA OF THE SOUTH
REPORT OF THE NAM AD HOC PANEL OF ECONOMISTS

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ELEMENTS FOR AN AGENDA OF THE SOUTH

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PREFACE

The meeting of Foreign Ministers of the Non-Aligned Movement convening in New Delhi in April 1997 took the following decision:

"The Ministers decided to set up an ad-hoc Panel of Economists from Non-Aligned countries to assess the current international economic situation from the perspective of developing countries and to identify and analyse major issues of concern to them and to assist in developing a positive agenda of the South."

The present report is a response to this decision. It is submitted to Colombia, current Chair Country of NAM, for eventual presentation to the XIIth NAM Summit in Durban, South Africa. The report reflects the broad consensus among Panel members, though not all Panel members were able to attend the meetings.

The report seeks essentially to present a broad overview of the major issues involved with the principal aim of assisting in the launching of a process that would require continuing work by the Non-Aligned Movement in the period ahead. The report seeks in particular to highlight key elements in the evolving external environment for development and to outline in broad terms the responses called for from the countries of the South. The issues involved are wide ranging and would require further elaboration of both their analytical and technical dimensions in the context of the evolving global scene. The Panel hopes that the present report will assist the Non-Aligned Movement by laying the foundations for such a task.

For information two Annexes are also provided. Annex 1 of the Report contains submissions by individual Panel members. Annex 2 contains contributions submitted by the South Centre at the request of Panel in order to help it in its work and which the Panel decided should be appended to its report for information. The Permanent Mission of Colombia to the United Nations in Geneva, together with the South Centre, organized the Panel's second, third and fourth meetings held in Geneva. The Centre provided assistance to the Panel's Chairman.

The Panel consisted of nine members, each appointed by a country having chaired the Non-Aligned Movement. The Panel members were H.E. Mr. Saad Alfarargi (Egypt), Dr. Mohammed Bachir-Bouiadjra (Algeria), Dr. Jonathan H. Chileshe (Zambia), Dr. Gamani Corea (Sri Lanka), Mr. Abid Hussain (India), H.E. Mr. Tichaona Joseph B. Jokonya (Zimbabwe), Mr. Osvaldo Martinez (Cuba), Mr. Gabriel Misas Arango (Colombia) and Prof. Widjojo Nitisastro (Indonesia). Dr. Gamani Corea of Sri Lanka was elected by the members of the Panel to chair the Panel.

SUMMARY

A New South Agenda: The Rationale

Recent political, economic, technological and institutional changes have had a major impact on the global environment for development. In particular, the end of the cold war signified the beginning of a new era in international relations, in which the political and economic ideologies of the major market economies gained a new ascendancy. Liberalization, deregulation, privatization and monetary-fiscal discipline as policy prescriptions came to be presented as a universal panacea of benefit to the developing and developed countries alike.

There have been significant developments in the global economy under the influence of this new doctrine. However, initial high hopes in developing countries have given way to concern. Many countries have taken significant steps to deregulate, liberalize and integrate further into the world economy, but major benefits have not been realized. The development of the poorest countries has in some cases been prejudiced. Several richer developing countries, with a long history of fast growth and sound economic fundamentals, have recently experienced a severe economic setback, arising from a financial crisis generated by the instabilities associated with financial liberalization and from inappropriate policy prescriptions to deal with the crisis.

For the South, it is of major concern that the reforms which have led to a greater integration of developing countries into the world economy have not diminished the economic gap between rich and poor countries. What is more, most countries are experiencing a worsening of internal income disparities, which are generating complex domestic social and political tensions.

At the level of North-South relations, the new doctrine has had particularly far-reaching implications for developing countries. Almost exclusive emphasis on the role of unfettered markets has displaced key principles that underpinned earlier multilateral discussions and negotiations on economic issues. The role and responsibilities of the international community, the need for non-commercial international transfers and the need of developing countries for special and differential treatment no longer orient international policies and action to foster development. As a result, the concept of international development cooperation and multilateral negotiations with a North-South or development orientation have virtually ended. Instead, the international agenda is dominated by the concern of developed countries to gain greater freedom for foreign investors and for capital flows and the export of their goods and services.

The earlier agenda of the South was therefore side-lined and developing countries did not develop an agenda of their own to promote their key interests during the negotiating processes promoting liberalization and globalization. Now, in the light of experience, it is imperative that they face the task of adapting the liberalization and globalization process to their own situations and development needs so that the process strengthens their own indigenous capabilities. Equally importantly, they must also review the role they are playing in multilateral decision-making and work out approaches and actions that will enhance their cohesion and effectiveness on the international scene. Their impact in multilateral negotiations still derives from the strength of numbers. Their unity and cohesion remains, therefore, the source of their strength. A new Agenda of the South therefore needs to identify major issues around which all can rally.

An Agenda of the South: Principal Issues

The Panel's report identifies the principal issues that must make up any new agenda of the developing countries, outlining in broad terms what the

objectives of the developing countries might be in respect of each of the major issues. The issues, old and new, are as follows.

The Governance of the Global Economy

In a world of growing linkages the issue of governance of the global economy and of representative mechanisms for dealing with this assumes a special importance. At present the developed country G7 or G8 groupings, and the institutions over which they exercise almost exclusive influence, have a virtual monopoly in determining policies affecting the entire globe. The South needs to give serious consideration to the development of institutional mechanisms at the highest level, representative of the interests of all countries or groups of countries, to deal with the task of global economic surveillance and management.

The Monetary and Financial Environment for Development

Developed countries have begun to distance themselves from the earlier edifice of development cooperation in the area of money and finance, and the current emphasis is on market forces and private financial flows. Any agenda of the developing countries must, however, emphasize the following:

Official financial flows

- * official development assistance, both bilateral and multilateral, must remain an important means of meeting developing countries' need for external financing;
- * the contribution of the multilateral financial institutions towards meeting the capital needs of developing countries must be enhanced;
- * the creation of international liquidity to replace the dollar and other national currencies as internationally accepted reserves and proposals for these to be channeled to developing countries are policy propositions that deserve renewed attention;
- * new revenue raising instruments, urged as a means of helping to resolve a number of environmental problems and to curb short term speculative capital movements, could also help meet the need for official capital transfers to developing countries.

External debt and other issues related to the need for finance

- * means to achieve a speedy resolution of the continuing debt burden which hinders growth and development in a number of countries must be sought and effectively promoted, including efforts to improve the Heavily Indebted Poor Countries (HIPIC) initiative and its implementation;
- * regional funds to provide liquidity to help contain financial crises and resume economic growth could provide financial assistance associated with locally and regionally appropriate policies.

Private capital flows

In the context of financial liberalization and the crisis affecting South East Asia and the prescriptions applied by the multilateral financial institutions, a South Agenda must give serious attention to:

- * measures and mechanisms to control and moderate short term and speculative international capital flows to reduce vulnerability and

instability;

- * dissuading the IMF from revising its articles of agreement in order to require developing countries to move towards capital account convertibility, so as to maintain the right of developing countries exercise controls over their capital account.

The reform of the multilateral financial institutions

In view of the overwhelming influence of the Bretton Woods institutions on developing countries' policies either through structural adjustment policies or prescriptions for crisis management, a range of issues relating to the conduct of the institutions needs to be placed on an Agenda of the South. In particular, serious consideration needs to be given to establishing new policies and mechanisms in these institutions to achieve improvements in:

- * the objectivity of their analysis;
- * criteria for lending;
- * the relevance and impact of conditionalities;
- * transparency and accountability of these institutions;
- * voting procedures to end the marginalization of developing countries in the policy and decision-making processes.

International Trade and Trade-related Issues

World Trade Organization (WTO) matters

In addition to trade, the WTO agenda now covers a wide range of trade-related matters, agreements on which determine or circumscribe wide areas of domestic development policy in developing countries. The experience of the Uruguay Round and its aftermath demonstrates the need for developing countries to ensure a mutually reinforcing relationship between trade liberalization and development goals. These matters must be a continuing subject for any South Agenda.

Developing countries will need to develop proposals relating to the implementation of agreements already reached, to the new issues that have subsequently emerged, or to any new negotiating round proposed for the future. In doing so the South must:

- * give consideration to the pace, direction and content of liberalization, taking into account levels of development and the need to build up national capabilities;
- * make concerted efforts to prevent technical, environmental, social, health and other grounds being used to introduce what in effect are measures with a protectionist intent;
- * formulate and present as united a policy front as possible in negotiations on items on the WTO built-in agenda and with respect to implementation of the Uruguay Round Agreements;
- * develop a common position on whether there should be a new round of WTO negotiations or whether a sectoral approach is acceptable. In any event, the South must take the initiative and place proposals of its own on the WTO negotiating agenda;

- * suggest improvements in WTO procedures and mechanisms on the basis of which agreements are negotiated and implemented, so that these do not prejudice developing country interests.

There are other key issues which must form part of the South's agenda on trade and trade-related matters. These include:

- * food security;
- * rapid and full implementation of the Marrakesh Ministerial Decisions concerning least developed and net food-importing countries;
- * special and differential treatment for developing countries; and
- * competition policy.

A multilateral investment agreement

The advanced industrial countries' quest to establish a multilateral regime to liberalize foreign investment and establish standard rules of treatment has far-reaching implications for developing countries and ought therefore to figure in any new South Agenda. In considering whether it is in their interests to participate in possible negotiations, developing countries need to define a set of principles for a policy framework which correspond to developing country interests in this matter.

Other trade-related issues

- * Commodities

The importance of commodity trade in the exports of developing countries taken as a whole has declined. Nevertheless, the weakness of commodity prices and hence their terms of trade in recent times has severely affected many developing countries, many of them the poorest. The commodity issue must therefore remain an important element in any new Agenda of the South. In particular, the rationale underlying the dismantling of the framework of international commodity agreements must be contested, and consideration should be given to undertaking schemes of supply management among the producing countries themselves.

- * Regional and other trading arrangements applicable only to selected countries

The growth of preferential trading arrangements, including mega-blocs, which embrace both developed and developing countries, raises a number of important issues for developing countries. Two such issues are the discriminatory treatment of developing countries that do not belong to these groups and the erosion of generalized preferences. Such issues relating to the evolution of the international trading system must be part of an Agenda of the South.

Science and Technology

The widening science and technology gap between developed and developing countries is of central concern since technological transformation lies at the core of the development process. Capacities in science and technology determine a country's ability to compete successfully in the increasingly integrated world economy. Moreover, science and technology issues are a crucially important aspect of an ever wider range of issues dealt with in international fora, including the WTO. Developing countries therefore need

to place science and technology firmly on their agenda. In particular, a South agenda pertaining to science and technology needs to establish organizational arrangements within the South in order to develop proposals regarding:

- * effective international institutional arrangements to deal with science and technology as an area of international cooperation;
- * inputs into an agenda of international cooperation and for South-South cooperation on matters of science and technology, including harnessing S&T to resolve key problems on the global development agenda relating to poverty, food security, health and environmental matters;
- * an assessment of the respective roles of the public and private interest in influencing the direction of scientific and technological initiatives and knowledge, and an examination of the possibilities of treating scientific and technological knowledge as a common heritage of humankind;
- * seeking new means to achieve a wider and more equitable spread of scientific knowledge and technologies.

In this context and more specifically, the South needs to place on the international agenda a well formulated proposal for an in-depth review and adaptation of the Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) in order to evolve an intellectual property rights regime which responds to the need for development in the South.

Environment and Development

The issue of environment has relatively recently become a subject for discussion and negotiation in the international arena. Two particularly important concerns must be addressed by a new Agenda of the South.

- * Developing countries must continue to urge the full implementation of the Agenda 21 package of agreements and measures related to the issue of environment and sustainable development.
- * The aim of ensuring sufficient "environmental space" to accommodate the development process in countries of the South must be a central concern of the South and must sustain the positions it develops in relation to a range of environmental discussions and negotiations in international fora.

Reform of the United Nations

The changes in the global political scene have brought into focus the issue of the role and reform of the United Nations system, in particular in relation to the management of the global economy. The South's Agenda must include the bolstering of the UN's role in placing the development problem in a global perspective, the strengthening of the UN's contribution in the development field and resisting any retrogression in this area.

Social and Other Issues

In recent years, considerable international attention has been given to social and related aspects of development in contrast to that devoted to "hard core" international economic issues affecting development. But the former cannot be a substitute for addressing the key economic issues. As part of its agenda, the South must try to rectify this situation and

continue to encourage initiatives in the United Nations intended to bring about a mutually reinforcing relationship between these two dimensions.

South-South Cooperation

South-South cooperation has long been an important part of the overall agenda of the countries of the South on development issues and in the context of negotiations with the developed countries. Recent years have witnessed a weakening of the cohesiveness and preparedness of developing countries in multilateral fora. New developments in the South and in the international economy suggest that the need for exchanges and cooperation between developing countries to discuss and develop multilateral questions is even more imperative. How to deal with this matter is therefore a matter of central importance for a South Agenda.

Developing and Applying the Agenda

A more comprehensive analysis of each of the above subjects will need to be undertaken by the developing countries as a follow-up to the present report. In view of ongoing or imminent discussions in international fora on many of the issues suggested as items for a South Agenda, it is a matter of considerable urgency that joint approaches and policies be formulated. However, if an Agenda of the South is to be formulated and applied effectively, it is vital that developing countries address immediately the question of how the work required for such a task could be organized. A number of possible actions in this respect are put forward in the final section of the Panel's report. It is hoped that the forthcoming Summit of the Non-Aligned Movement to be convened in South Africa will launch the actions that would achieve this aim.

ELEMENTS FOR AN AGENDA OF THE SOUTH

Report of the NAM Ad Hoc Panel of Economists

I. THE EVOLVING EXTERNAL ENVIRONMENT FOR DEVELOPMENT

The changes that have taken place in recent years have had a major impact on the global environment for development. The changes are political and economic, technological and institutional and are of profound significance to both the prospects facing the developing countries and to their policy responses. They are also of significance to the underpinnings of international development cooperation. The developing countries need urgently to fashion their responses to the evolving situation. They need to determine how best they could take advantage of and improve upon the positive elements of the changing scenario and at the same time counter and minimize the drawbacks. They need, for this purpose, to review the platform that has served to guide them in the past in their negotiations on multilateral issues and adapt it to reflect the needs of the day. Many of the basic elements of this platform remain valid; but they require updating and recasting in the new context. Even more important, there are new issues that have arisen or are emerging that call for new responses from the developing countries. All this requires that these countries review the role they are playing in the realm of multilateral decision making and work out approaches and actions that will enhance their cohesion and effectiveness on the international scene.

Major international developments, in particular the end of the cold war and the break up of the socialist bloc, have had a strong impact on the global environment as it affects the developing countries. Much of the earlier motivation for international development cooperation was spurred by super power rivalry and the desire of these powers to prevent opposing forces

from extending their influence in the countries of the Third World. This, in the context of the emergence of new sovereign states in the South after decolonization, encouraged support from the major powers and other developed countries for the development aspirations of Third World countries. The numerical preponderance of these countries in the United Nations system encouraged the latter to sharpen the focus on development issues in the economic field. The international secretariats of the United Nations system themselves contributed strongly to setting out the analytical underpinnings of international development cooperation and to drawing out the policy conclusions that flowed from them. This helped to offset the absence of organizational arrangements among the developing countries for conducting studies on multilateral issues and for deriving their policy implications for collective initiatives by them.

(a) International Development Cooperation: The Early Phase

The early years saw, against this background, a degree of progress in international development cooperation. Most of the leading developed countries launched programmes of bilateral aid to developing countries on concessional terms. Multilateral financial institutions established after the war, particularly the World Bank and the International Monetary Fund, shifted their attention from post war reconstruction and international monetary management to the needs of developing countries. International Development Strategies were launched in the United Nations with the support of the developed countries as a guide to successive "Decades of Development". The early 1960s also saw the mobilization of the developing countries on a global basis. It saw the launching of the Non-Aligned Movement as well as the creation of the Group of 77 in the context of the birth of UNCTAD, the United Nations Conference on Trade and Development. A "platform" of the developing countries came to be forged to reflect their needs and to identify the responses called for from the developed countries in the arena of multilateral negotiations. The platform embodied such issues as the need to enhance capital flows to the developing countries, to improve and stabilize the terms of trade for primary products, to liberalize the markets for their exports and to provide preferential access to such markets on a non-discriminatory basis. These needs were also given quantitative dimensions through the elaboration of such concepts as the "Trade Gap" facing the developing countries in pursuit of accepted targets for their average growth.

The progress made by the developing countries in gaining acceptance of these goals was limited but there were nevertheless some advances. The early years saw the acceptance by the developed countries of such concepts as the generalized system of preferences, overall targets for official aid, the participation of the developing countries in shipping, the need for producer-consumer cooperation to stabilize the prices of selected commodities and the international creation of liquid reserves. There was also a recognition of the special needs of categories of developing countries, in particular that of the least developed among the developing countries. Such progress was not made through the use of the numerical voting strength of the developing countries but with the acquiescence of the developed countries whose support was needed for the implementation of decisions.

The decade of the seventies, in particular, was one of intensified activity in the arena of North-South negotiations. The action of the members of the OPEC, the Organization of Petroleum Exporting Countries, in unilaterally raising the price of oil, created a new atmosphere in which an element of Third World leverage was seen to be present. The years that followed the "oil shock" of the early seventies resulted in a new focus on North-South negotiations for which the 6th Special Session on the UN General Assembly,

launched on the initiative of the Non-Aligned Movement, served as a springboard. The Declaration and Programme of Action on a New International Economic Order, embodying the twin themes of structural change in the world economy and collective self-reliance on the part of the developing countries, provided the backdrop to a new phase of intensified negotiations on North-South issues. UNCTAD served as a forum for a number of successful negotiations, including the Integrated Programme for Commodities and the Common Fund, the Code on Restrictive Business Practices, the Convention on Multi-modal Transport, the cancellation of the official debts of the poorer countries, and the first Conference of the Least Developed Countries. These instruments were initiated by the Group of 77 based on studies and policy recommendations by the UNCTAD secretariat. The seventies also saw the inauguration in Paris, outside of the United Nations, of the Conference on International Economic Cooperation (CIEC) to which the term "North-South" dialogue was first applied.

(b) Later Developments

The situation, however, began to change over the succeeding decade of the eighties. A number of developments contributed towards this change. Conservative regimes, with market oriented ideologies, assumed office in the United States and several countries in Europe. They initiated domestic policies of contraction aimed at overcoming the "over-heating" of their own economies. They also viewed efforts to fashion the international economic environment for development, through multilateral negotiations in United Nations bodies, as "interventionist" and "statist". At the same time developments in the market for oil saw a weakening of the position of OPEC and its ability to sustain the rising trend of prices.

All these changes had a severely negative impact on the developing countries as a whole and on their ability to initiate and influence multilateral negotiations on North-South issues. The contractionary forces emanating from the leading developed countries severely affected the demand for the exports of the developing countries with drastic consequences for their external payments balances and their growth rates. It was these years that witnessed the deepening of the debt burdens of many developing countries and the recourse they had to the multilateral financial institutions for relief. The attention of the developing countries shifted away from multilateral negotiations on global economic issues to corrective responses at the domestic level. Such responses were linked to prescriptions for structural adjustment provided by the World Bank and the International Monetary Fund with the support of the major donors of bilateral assistance. These prescriptions embodied a progressive widening of the parameters of "conditionality" as they applied to the domestic policies of the developing countries.

The crisis facing the developing countries was compounded by further developments on the international political scene. The end of the eighties and the early nineties saw the finish of the super power rivalries of the earlier period following the collapse of the communist regimes of eastern Europe. This development signified the beginning of a whole new era in international relations with many ramifications. It signaled the beginning of a phase in which the political and economic ideologies of the United States and the Western powers gained a new ascendancy. The changed context affected some of the earlier underpinnings of international development cooperation and the political considerations that had fashioned them. As mentioned before, the political compulsions that had earlier served to focus the attention of the developed countries on the situation in the Third World came to be diluted. The problems of the former communist countries of Eastern Europe and the need for a smooth and successful transition by them to a market oriented system became issues that claimed

the prior attention of the developed countries of the West. These developments had their impact on both their bilateral aid and their commitment to multilateral negotiations on North-South questions.

There were also economic and institutional dimensions that attained an added significance in the new scenario. The emphasis that the United States and the developed countries of the West had already begun to place on market forces and the private sector was further reinforced and woven into policy prescriptions for the developing countries authored by the multilateral financial institutions. At the same time, the quest for lowering the barriers to international trade and other exchanges and flows acquired a new vigour calling for responses from both the developed and the developing countries. Multilateral negotiations with a North-South or development orientation came virtually to an end giving way, in the arena of trade for example, to activities and negotiations that essentially reflected the priorities of developed countries.

The new environment also had institutional consequences affecting, in particular, the development contributions of the United Nations and its organs. With the end of the cold war vetoes that thwarted the political role of the Security Council, a new emphasis came to be placed on the involvement of the United Nations in peace keeping and other political issues. Given the budgetary and other constraints this change was at the expense of the previous focus of the United Nations and its secretariat on economic and development questions. The Bretton Woods institutions and the newly established World Trade Organization, on the other hand, benefited from an enhancement of their role. The end of the cold war also diminished the voting strength the developing countries had earlier been able to mobilize in the United Nations on their behalf. There was no longer a socialist bloc to support their quest for systemic changes in the global economy in favour of development. The relative numerical strength of the Third World countries in the United Nations was itself, in fact, reduced by the admission of new members that followed the break up of the Soviet Union and the other communist countries of Eastern Europe.

(c) "Globalization and Liberalization"

The result of all these changes was the emergence of a new ideology sponsored by the countries of the West and the international organizations they influence. The new thinking came to be summed up under the caption "Globalization and Liberalization". To a large extent this concept displaced many of the principles that guided earlier multilateral negotiations on economic issues, in particular the acceptance of the role and responsibilities of the state and the recognition of the need of the developing countries for special treatment. Globalization and Liberalization came to be presented as an universal panacea of benefit to the developed and developing countries alike. Its principal theme was that trends towards the integration of the global economy, stimulated by political and technological developments, needed to be accelerated to bring virtually unlimited benefits to all countries. The concept of an eventual "Global Village" excited the imagination of many.

At the level of policy, the principal active channels for the transmission of the changes called for by the theme of globalization and liberalization were the Uruguay Round and its product the World Trade Organization, and the Bretton Woods institutions. The Trade negotiations under the Uruguay Round extended the concept of trade liberalization to new areas beyond that of the trade in merchandise that had been the focus of earlier GATT rounds of negotiations on the reduction of trade barriers. These included the trade in services, trade related investments, and intellectual property rights. The World Bank and the International Monetary Fund, for their part,

promoted the further unilateral opening up of developing country markets under the aegis of structural adjustment policies that became the core of conditionality packages. These and other changes adapted the framework of national and international policies to facilitate the process of globalization that had already begun to gain momentum because of the changes in the global political scene, technological developments in fields such as transportation and communications, and the related increase in the mobility of transnational corporations and other agents of private economic activity.

The principles and policy prescriptions that arose out of the theme of Globalization and Liberalization had virtually a devastating impact on the themes that had earlier been interwoven with the concept of international development cooperation. They shifted the focus of policy from multilateral negotiations on development issues to the domestic actions and policies of the developing countries. The key to boarding the fast train of Globalization was the opening up of the domestic economies of these countries to the powerful forces of the market, both local and foreign. Liberalization, deregulation, privatization and monetary-fiscal discipline became the policy instruments needed for economic success. Countries that adopted them would be carried to ever increasing heights of progress while those that failed to do so would be left behind and be "marginalized". International actions aimed specifically at improving the global environment for development, such as aid on concessional terms, measures to counter the instability and weakness of commodity markets, preferential tariffs for developing country exports, debt reduction, and guidelines for the transfer of technology, to name a few examples, ceased to form part of the imperatives for global policies. To the extent that some of them were still applied they would be focused on the poorest and the weakest countries and made subject to a strict adherence to the dictates of conditionality. The North-South dialogue has ceased virtually to exist. For well over a decade now there have been no negotiations on international development issues comparable to those that took place before and during the seventies. In effect, the Globalization and Liberalization philosophy has displaced the concept of international development cooperation.

There have been significant developments in the global economy under the influence of the Globalization and Liberalization doctrine. There has been a vigorous, and possibly historically unparalleled, surge in the growth rates of international trade and financial flows across borders. But, the overall growth rates of the developed countries, and consequently of the global economy, have not shown any dramatic acceleration in recent years. The opening up of national markets for goods, services, and investment in the context of striking advances in the field of science and technology, particularly communications technology, has indeed made a reality of some of the expectations concerning global integration and global linkages. Domestic markets, including those of an ever increasing number of developing countries have been progressively opened up along with the liberalization of investment requirements. Liberalization within regional groupings also provided an additional tier to the global process. The overall picture of developments in the global economy did indeed suggest the birth of a new phase with the promise of even greater possibilities for the future.

(d) Concerns for the South

The achievements on the positive side, however, have had their limitations and drawbacks in respect of the developing countries and in the more recent period the initial euphoria about Globalization and Liberalization has begun to wane. In the first place the distribution among countries and regions of the benefits of the process has come into question. World trade

growth though rapid has mainly been a reflection of the growth of trade of, and between, the developed countries. The share of the developing countries in the recent increase in world trade has been modest. The same is true of the growth of financial flows and foreign direct investments. The distribution of benefits among the developing countries has also been highly unequal with much of them being confined to a relatively small number of developing countries mostly in East and South East Asia.

In fact, there is now an increasing recognition that the benefits of globalization have to a greater or lesser degree by-passed most of the developing countries despite their adherence to the tenets of structural adjustment policies. The poorest of them in parts of Africa, Central America and Asia have experienced, in fact, an increasing marginalization of their place in the world economy. The result of all this has been a widening of the gap in income distribution between the categories of the developed and the developing countries taken as a whole even when the rapidly growing countries of the latter group are included. Globalization and Liberalization has, paradoxically, increased the economic distance between rich and poor countries at least in the initial phase. Domestic policy reforms undertaken by a large number of developing countries in the direction of liberalization and deregulation have not ensured them a place on the Globalization Express.

There has also arisen a second category of concerns relating to the fact that policies of extensive deregulation and liberalization seem to be doing little or nothing to promote a pattern of development which serves to promote equity and social justice and widespread human development -- the end purposes of all development endeavours. The domestic liberalization measures undertaken by many of the developing countries have contributed towards a widening of internal income disparities as well. A number of countries that have witnessed some acceleration of economic growth in the wake of liberalization and deregulation have witnessed a shift in income distribution in favour of those in the upper income groups. Budgetary constraints on health, education and welfare measures and social programmes, tax concessions on profits, the modification of price controls, and the dismantling of state owned enterprises have been among the contributory factors. Many developing countries have also experienced the pressures of rapid urbanization accompanied by unemployment and social unrest. Not a few of them have also witnessed an intensification of social and political problems, including such phenomena as crime, corruption, drug trafficking, sex exploitation, illegal migration and terrorism. Moreover, the economic and social pressures arising from domestic and international policies have sometimes contributed to igniting severe internal conflicts, which themselves stand in the way of making any significant progress on the development front, as do armed conflicts between countries of the South.

In addition to the above, there have also been concerns over the curbing of national sovereignty including in such fields as trade and investment regulation. Indeed, critics are already beginning to point to the parallel between the domestic policies of developing countries in the era of globalization with those of the colonial period. The colonial epoch also saw, in many parts of the world, a framework of domestic liberalization accompanied by balanced budgets, stable exchange rates, openness to foreign investment, the free movement of funds to and from other parts of the world, and indeed even the relatively free movement of labour. This framework saw the partial integration of many of the colonial territories into the world economy through the export of primary products and the import of consumer and capital goods from abroad. But the process stopped short of industrialization and left behind a legacy of dependence characteristic of the relationship between the "centre and the periphery".

A third concern is that until now the Globalization and Liberalization process has unfolded in such a way that developing countries have not participated in shaping the policy framework that underpins such a process. As mentioned before, the global political changes following the end of the cold war and the liberal market oriented ideologies of the major developed countries served as the launching pad for the new global economic environment that has now come into being. Understandably, the major powers placed emphasis on the directions of change that served to enlarge the opportunities open to them. This was reflected in the new issues brought before the Uruguay Round and its creation the World Trade Organization. It is also, in a sense, reflected in the policy prescriptions of the multilateral financial institutions that are applied virtually entirely to the developing countries. The developing countries did not have an agenda of their own to guide and shape the unfolding of the process of globalization and liberalization. They lacked the organizational capacity for serious substantive work in such a field. In the event, the task they faced was one of reacting to the initiatives of the developed countries and engaging, where such initiatives were unfavourable to their concerns, in efforts at modification and damage limitation.

In the more recent period a fourth cause for concern has become manifest. The economic performance of the countries of East and South East Asia was seen as compelling evidence of the success of Globalization and Liberalization in speeding up the tempo of development. The experience of these countries in sustaining impressive rates of economic growth over a considerable period and their advance towards modernization and transformation were indeed striking. The differentiation among the developing countries, never a homogenous group, increased still further and those that did not enjoy the success of the "emergent economies" were urged to follow their example in the realm of domestic policies. Now the optimism has given way to anxiety and concern. The emergent economies in Asia are in crisis experiencing sharp downward pressures on their currency and capital markets and emergent stresses on their economic and social well being and political processes. There are, indeed, fears of widespread international repercussions.

Many explanations have been given about the crisis and its causes, both internal and external. But one of the lessons that has become all too obvious is the vulnerability of economies to uncontrolled financial flows of various kinds, including those of a speculative nature. The globalization and liberalization environment contained no safeguards that served to control and regulate destabilizing factors in the context of the vast movements of finance across national borders that have become manifest in recent times. The response of the multilateral financial institutions and the major powers to the East Asian crisis has been ad hoc and ex-post but the need in the first place was for preventive mechanisms. All these developments have added a new dimension to the global and liberalization experience and brought into focus the workings of the international monetary system in the context of the evolving global scene.

(e) The Task Ahead

The experience of the changes in the global economy over the last few years brings out important lessons for the countries of the Third World. The trend towards globalization and liberalization has been dictated by a constellation of forces -- political, economic and technological. Whatever its limitations its general thrust is, in a sense, irreversible. The growing linkages between countries, the opening up of markets, the spread of investments, and the impact of technology on standardizing products, shortening distances, and modern communications offer new vistas of opportunity for the development process if their positive aspects are

grasped and their drawbacks averted. The task facing the developing countries is one of adapting the globalization and liberalization process to reflect their own situations and development imperatives. Their central concern must be on utilising such a process for the strengthening of their own indigenous capabilities at the national, regional, and global levels. They need to match the priorities of the developed countries in multinational negotiations with their own priorities and identify and pursue the adaptations, modifications and objectives that reflect their interests. This in essence would be the primary objective of an economic Agenda of the South in the evolving global economy of today.

Such an agenda needs to be pursued in a setting of Southern unity and cohesion. The developing countries were never a homogenous group, but in the early phase of North-South negotiations the countries of Latin America, Africa, and Asia were able to forge common positions and present a united front through the Group of 77 and the Non-Aligned Movement. In the recent period the differentiation among the developing countries has increased further. Their range extends from countries described as newly industrializing to least developed with vast differences in their economic and social situations. Nevertheless there continue to be powerful factors that serve to bind them together and give reality to the concept of the South. None of the countries of the South partake in the management of the global economy. Their impact at multilateral negotiations still derives from the strength of numbers. Their unity and cohesion remains, therefore, the source of their strength. A common platform for the South needs to take account of the major interests of all the developing countries. While individual items in the platform could be of varying importance to different countries, the platform, taken as a whole, needs to be one around which all could rally. The sections to follow attempt to identify the major issues that need incorporation in an Agenda of the South. They are intended as a guide to the further work that needs to be initiated in the period to come.

II. KEY ISSUES FOR AN AGENDA OF THE SOUTH

Against this background of changes on the world scene, it is necessary to identify the major issues of concern to the developing countries and the objectives that they themselves need to pursue in the global context. As the previous section has indicated the thrust towards globalization and liberalization has been spearheaded by the developed countries and the international organizations which they influence. Whilst certain changes in the global economy could benefit the developed and the developing countries alike, there are qualifications and adaptations that are needed to reflect the situation and the interests of the latter countries. There can be no presumption that the benefits of liberalization and free market activities are always mutual, let alone equally distributed. The developing countries need to identify the strengths and the weaknesses of the process so as to maximize the benefits they derive and minimize the negative features. They need, in other words, to have their own agenda for change in the present context, an agenda that will set out their own goals in the setting of the evolving global economy. It is such an agenda that they must carry into multilateral processes with a view to influencing negotiations and arriving at results that are acceptable to all groups of countries.

The new agenda must cover the major issues pertaining to the functioning of the world economy and its continued evolution. Some of these issues have assumed aspects that are relatively new, particularly in the realms of money, finance and trade. Others have older origins but retain their relevance in the new scenario despite attempts to down-play or reject them in the name of new ideologies and realities. These also require reassertion, with adaptations where needed. In fact many elements of the

earlier agenda such as debt relief, official financial flows and technology transfers all on easy terms are being applied to the "countries in transition". There are, at the same time, issues that relate to new subjects that have received attention in relatively recent times. These too must form part of the agenda of the developing countries. The discussion that follows in the present section attempts to identify the principal issues that must make up any agenda of the developing countries. It only seeks, however, to outline in broad terms what the objectives of the developing countries might be in respect of each of the major issues. It does not aim at a comprehensive analysis of each subject. This must be undertaken by the developing countries as a follow up to the present report, a task that would require organizational arrangements in the period ahead.

The several elements of an agenda of the developing countries would need, moreover, to be pursued in a number of different fora. These include the United Nations and its subsidiary bodies, the specialized agencies of the United Nations, the multilateral financial institutions, the world trade body, and periodic global conferences devoted to selected subjects. Some proposals may be initiated by the developing countries in the relevant fora, others may take the form of responses to initiatives by other groups of countries or by the secretariats of international organizations. The agenda of the developing countries, however, when taken together must set out their views and objectives in respect of the changing global economy. It must, at the same time, serve to mobilize their collective strength which constitutes the principal source of leverage at their disposal.

The sub-sections that follow attempt, in the light of these considerations, to broadly outline the principal issues that must figure in any Agenda of the South. Such issues are presented under general headings that reflect their subject matter.

1. Governance of the Global Economy

A discussion of sectoral and specific issue needs to be preceded by a wider and urgent question of interest to all countries: the question of the governance of the global economy. Unlike the increasing insistence by the North in every possible forum on the need for good governance in developing countries, the issue of global governance has hitherto not formed part of any agenda, whether of the developed or developing countries or of the entire system of international organizations. Yet, such a concept assumes a special importance and urgency in a world of growing linkages, linkages that reflect the trend towards globalization and liberalization. The performance of the global economy and the containment of destabilizing forces is of ever-growing concern to all countries. This has been dramatically underlined in recent times by the East Asian crisis and the fear that it might assume global dimensions. Yet, however, there are at present no institutional mechanisms at the highest level, representative of the interests of all countries or groups of countries, that are charged with the task of formulating and implementing policies for global economic surveillance and management. The issues at stake go beyond the sectoral responsibilities of such bodies as the International Monetary Fund, the World Bank, and the World Trade Organization. The summit of the major developed countries (now the G8 after the inclusion of Russia) does survey global economic developments from time to time. But it is a self appointed body and not, by virtue of its very constitution, a representative body that allows for the participation of countries such as the developing countries or of bodies representative of them. A situation in which developing countries play no part in the management of the global economy or in global economic governance is wholly unacceptable. Moreover, in a world of growing interdependence in which developing countries have

increasing economic weight this is a gap that needs to be filled for the sake of all.

The successful operation of market forces does in any case call, despite the anti-state rhetoric, for a regulatory policy framework, supervised regularly at the highest level, that deals with global developments and their repercussions on all groups of countries. The issue of global economic governance and of representative mechanisms for dealing with it is thus, on any reckoning, one that requires the attention of the developing countries in the context of any revised agenda for multilateral negotiations that is pertinent to the evolving global economic environment and global governance.

This exclusion has continued for too long and, as part of their agenda, developing countries need to formulate proposals on how to end what is an unacceptable situation.

2. The Monetary and Financial Environment for Development

Any agenda of the South must focus sharply on the subject of money and finance. For developing countries, particularly those at very low levels of development, the gap between the investment resources required to accelerate development and the resources generated internally through their own savings is a crucial issue. The same is true of the gap between their foreign exchange earnings acquired through trade and other means and their need for imports. The bridging of these gaps through international cooperation is, therefore, central to the establishment of an external economic environment that is supportive of development.

The agenda of the developing countries forged in earlier years reflected, therefore, a sharp emphasis on issues in the areas of money, finance, and trade. It focused on the need for concessional capital flows from both bilateral and multilateral sources to overcome the limited access the developing countries had to private capital markets. It urged, and won acceptance for, a quantitative target of 0.7 per cent of the GNP of bilateral donor countries as assistance to the developing countries, with a sub-target of 0.15 per cent for the least developed countries. It supported the enlargement of the resources of the multilateral financial institutions and the creation of soft loan windows. It underlined the need for debt reorganization specially through debt reduction, and also the need for such reductions to encompass debts owed to the multilateral financial institutions.

On the side of international monetary issues, the agenda stressed the need for adequate resources for the International Monetary Fund to support balance of payments requirements, the need for the compensatory and supplementary financing of shortfalls in export earnings, the easing of the conditionalities accompanying various tranches of Fund lending, the need for giving attention to developed countries in chronic surplus, and, not least, the international creation of liquid reserves and the channeling of such reserves through the developing countries.

This agenda of the developing countries was not, of course, adopted in full by the developed countries. But the climate of earlier years encouraged a degree of sensitivity to developing country concerns and to the need for positive responses, however measured. As mentioned earlier, the international political climate and the objectives of the major powers encouraged such responses. In the more recent period, however, the scenario has changed markedly. The developed countries have begun increasingly to distance themselves from the earlier edifice of international development cooperation, specially in the area of money and finance, and to turn to the

advocacy of the policy requirements of the new doctrine of globalization and liberalization. In brief, the highlights of the new approach point to a reliance on market forces spurred on by deregulation and a consequent emphasis on the role of private actors. It is paralleled by a scaling down of concessional official aid, both in relative and absolute terms save for the least developed countries, and a reluctance to expand the resources of the multilateral financial institutions, especially resources for concessional flows. The concept of "conditionality", however, has not been a victim of these changes and cutbacks. On the contrary, it has been acquiring ever widening dimensions often inversely proportional to the trends relating to financial flows.

The new agenda of the developing countries has to react to these changes. As mentioned before, there are positive aspects to the globalization and liberalization process that have favoured the opening up of markets and the flow of finance. But already there is too much that is negative in the experience so far. The glaring defect has been the maldistribution of the benefits of the process and the consequent by-passing of perhaps the vast majority of the developing countries. Aid restraints, inadequate debt relief, and declining terms of trade have led to faltering growth rates and explosive social and political situations in a growing number of countries of the Third World. The crisis in East and South East Asia, embracing the countries that were seen as the very success stories of the new paradigm, has further undermined the balance sheet.

The South cannot, therefore, resign itself to these developments regarding money and finance and trade-in its old agenda for an agenda that embodies the perceptions and interests of the developed countries. It has to address the new situation from the viewpoint of its interests and needs and draw up an agenda of its own that is pertinent to the new situation. The updated agenda need not jettison what remains valid and relevant in the earlier platform on money and finance. But it must pay special attention to the new global scenario and to the responses that are now called for from the developing countries. It must, in particular, identify the ways in which the globalization and liberalization process needs modification, qualification and adaptation to meet the vital interests of the South. The major issues that must form part of an Agenda of the South in the new situation are outlined below.

Indeed there is some urgency in the need to discuss and formulate proposals on these matters, since the developing countries will need to prepare their positions if they are to participate effectively in the shaping of the agenda for the proposed UN Conference on Financing Development and in the ensuing deliberations and negotiations.

(a) Finance for development

Official development assistance

Any agenda of the developing countries must retain a sharp focus on the ways in which their need for external financing could be met. In recent years private capital flows have increased while bilateral aid on concessional terms has stagnated or even declined. But as already mentioned there has been, and can be, no satisfactory trade off between these sources for many, possibly most, developing countries. Private capital flows tend often to go to where profits are highest and not just to where policies seem to be right. Domestic policies of structural adjustment in the developing countries, even when vigorously applied, have not ensured that capital needs would thereafter be met by market forces. The emphasis on official development assistance, both bilateral and multilateral, must therefore remain as an important item in any South agenda despite the

discouraging trends of recent times. The donor countries are still committed to the aid targets they had earlier endorsed. Some continue with aid performances that match these targets. Others, and particularly the large and wealthy countries, must be encouraged to reverse recent negative trends in aid budgets and return to a path of vigorous aid flows. The need for concessional flows is not confined to only the poorest of the poor countries. Many developing countries are not in a position, due to limits on their credit worthiness and other factors, to access private capital markets and hence to mobilize and direct private capital flows to sectors and activities of high priority. The attention of donor countries needs to be drawn to the high risks, political and social, that are in prospect for the developing countries in the face of diminishing or stagnating flows of official development assistance. A return to an upward path must, therefore, be seen as a vital element of an international economic environment that is supportive of development. Official development assistance should not be a victim of globalization and liberalization. The donor countries have a stake in global and regional political stability and in ensuring that this is not jeopardized by diminishing capital flows to a large part of the world.

The multilateral financial institutions

The contribution of the multilateral financial institutions towards meeting the capital needs of the developing countries is another aspect that needs highlighting in an Agenda of the South. Meeting the financial needs of member countries constituted the very *raison d'être* for the setting up of these institutions. In recent times, however, the net lending of institutions like the World Bank, and possibly some of the regional development banks, has been declining and at times net transfers have been negative, thereby intensifying the capital constraints facing the developing countries. The soft windows of these institutions have been particularly affected by the diminishing aid performance of the major donors. These trends need to be reversed. Indeed, it would be logical for the multilateral financial institutions to take on a bigger role in development financing thereby making up for the constraints on bilateral assistance, many of them political. This requires a major overhaul of these institutions touching on such issues as their access to resources, the criteria for lending, the content of conditionality and the role of the member countries in policy making. The evolution of the multilateral lending institutions like the World Bank and the regional development banks in the years to come must be a major preoccupation of the developing countries and remain a crucial issue in any updated agenda of the South.

The creation of international liquidity

Against the background of the adverse trends of recent years relating to bilateral assistance and the net lending of the multilateral institutions, attention has been drawn to other possible sources of official finance for development purposes. One of these, that has long figured on the agenda of the developing countries, relates to the creation of international liquidity by the International Monetary Fund to replace the dollar and other national currencies as internationally accepted reserve assets. The developing countries had suggested that the reserve assets to be created by the International Monetary Fund -- on a scale determined by the world's need for liquid reserves -- should be distributed to its developing country members as a means of channeling them eventually through trade etc. to the reserves of surplus countries. This proposal for the "link" has not gained acceptance so far while the scale of Special Drawing Rights created by the Fund has itself been severely limited. However, the question of international liquidity creation may acquire a new significance in the context of the need for international control over destabilizing capital

flows and the inadequacy of the resources presently available to both international and national authorities for preventive and even corrective actions. The concept of the "link" may thus acquire a new relevance and should therefore be a subject for attention in any new Agenda of the South.

New revenue raising instruments

In the recent period a number of innovative suggestions have been made for the introduction of new revenue raising instruments whose proceeds could be directed in varying degrees towards meeting the need for official capital transfers to the developing countries. These include measures to raise revenues from activities relating to the exploitation of the global commons. Some instruments were linked in the first instance to objectives other than finance, as for example a tax on speculative capital movements (e.g. the Tobin Tax.) and the proposals for a carbon tax to regulate the emission of greenhouse gases.

These proposals have not progressed very far at the international political level. But they are worthy of attention for at least two important reasons. They are, in the first place, linked to objectives that are, in one way or another, of common concern to all countries. Secondly, depending on the scale of the impositions introduced, they have the potential for generating a relatively significant volume of resources that can contribute meaningfully to the developing countries' need for capital and also certain international needs. Thirdly, the resources thus generated would not be dependent on individual countries and shifts in their domestic policies and would be subject to more democratic and genuinely multilateral management.

In the light of the constraints that are now emerging on the conventional forms of official capital flows to the developing countries these, and other similar proposals, merit introduction and elaboration in any agenda of the South.

External debt

Another issue relating to the capital availabilities of developing countries in the present context is that of external debt. The issue has been subject to metamorphosis over the years relating both to the type of relief provided and the creditors involved in such operations. In the early stages debt relief was focused on delaying debt servicing -- an expedient that, more often than not, compounded the burdens on the debtor countries. In the later period debt rescheduling gave way, to some extent, to debt reduction, a more meaningful approach. At the same time there was some evolution in the groups of creditors involved in debt reorganization starting from creditor governments and then reaching out to private banks and other non-official creditors. The multilateral financial institutions were the last to participate in debt reorganization, despite significant debts owed to them, claiming "preferred creditor" status.

In recent times there has been a degree of evolution in the creditor approach to debt reorganization with the announcement of a plan for the so-called HIPC (Heavily Indebted Poor Countries) countries in which all groups of creditors will participate in various ways. But progress has been slow. There are two major constraints on the value and efficacy of the new plan. One is the extremely limited number of eligible countries. (This contrasts with the proposal of a NAM expert group that 58 countries which in 1992 were in payments arrears in excess of 20 per cent of scheduled debt service should qualify for debt reduction applied to all three major classes of debt, namely, official bilateral, multilateral and private debt.) The other constraint is the stringent "conditionality" that determines the implementation of relief measures. Obviously, the debt

relief issue has to be carried many stages farther. The debt burden dampens growth rates, hinders access to new capital and undermines social progress. It remains a major problem for the South that needs attention in any South agenda. In fact, the debt problems of developing countries have acquired an additional dimension in the context of the East Asian crisis, where the external debts of private sector borrowers have emerged as a major issue.

Conditionality

One of the issues that has come to be associated increasingly with the access of developing countries to official capital flows and debt relief is that of conditionality applied by the World Bank and the International Monetary Fund. Originally confined to requirements to ensure the soundness of projects seeking financing, the concept of conditionality -- generally embodied in programmes of "structural adjustment" -- has come in recent times to embrace ever widening dimensions. These extend from the overall macro-economic policies of borrowing countries to domestic liberalization, deregulation, privatization and other areas -- in fact to virtually all the important aspects of domestic policy. Conditionality has indeed become one of the major channels through which developing countries have been induced to adapt to the requirements of globalization and liberalization.

There is much that is sound in the stipulations for macro-economic policy disciplines since these could contribute towards improvements in the domestic economic performance of borrowing countries. At the same time, questions have arisen about the validity of these policy prescriptions which exhibit a high degree of uniformity despite significant differences in individual country situations. Criticism has also been made of the neglect of the social and political implications when designing and imposing these packages. There are also questions relating to the ideological elements embodied in conditionality packages touching on such issues as the relative roles of the public and private sectors and of market forces.

The content of structural adjustment policies has not normally been a matter for discussion in the United Nations, giving the Bretton Woods institutions a near monopoly on this matter. The current experience of the South East Asian countries in crisis reinforces, however, concerns regarding the IMF diagnosis of the situation, the appropriateness of its remedies and the range of conditionalities imposed. Many of the conditionalities imposed on the Asian countries in crisis have nothing to do with the immediate liquidity crisis in Asia but the situation has provided an opportunity to gain implementation of political and institutional changes favoured by major industrial powers which had not previously been achieved by other means.

These issues concerning the applicability of the IMF's analysis and the relevance of its policies to the varying situations merit close attention in a new Agenda of the South, as does the question of transparency and accountability of this institution. The IMF asks for transparency in developing countries, but developing countries need to demand transparency and accountability from the IMF, bearing in mind the domestic and wider impact of the policies it prescribes and imposes. The developing countries should discuss these issues in their own intergovernmental fora and formulate views on how these matters could be better dealt with.

Private capital flows as a source of finance for development

The developing countries, almost without exception, have sought to welcome private capital flows, especially foreign direct investment, as a source of finance for development. The importance of this source of capital has

increased against the background of globalization and liberalization and the growing constraints on official development assistance.

In recent times, two aspects relating to private capital flows have attained prominence. One is the quest, under the auspices of the World Trade Organization, to establish a global regime pertaining to the treatment of foreign private capital in recipient countries. The other is the need for appropriate regulatory mechanisms at the international level to control and moderate international capital flows, especially speculative flows of a volatile and destabilizing nature.

Each of these aspects is relevant to the question of finance for development and must, therefore figure in any updated agenda of the South. But, though mentioned here, the issues pertaining to them are likely to arise in the context of proposals in the areas of trade and international monetary issues and hence are also referred to in the sections to follow.

(b) International monetary issues

As mentioned earlier, the workings of the international monetary system are of crucial importance to a global economic environment that is supportive of development. The earlier agenda of the developing countries included a number of issues in the field of international monetary reform some of which have already been referred to in the discussion above. In one way or another they related to the need to enhance the support extended by the International Monetary Fund to strengthening the external payments situation of developing countries. They ranged from compensatory financing to international liquidity creation, from larger credit tranches to the balanced treatment of both countries in payments surplus and countries in payments deficit.

The developing countries should maintain these earlier goals in an Agenda of the South. But today, more than ever before, they also need to give attention to at least two major aspects of the workings of the international monetary system that have acquired a new importance in the background of globalization and liberalization. These aspects are, on the one hand, the need for regulating the vast increases in capital flows that have manifested themselves in the background of globalization and liberalization and, on the other, the absolute imperative of affording a greater voice to the developing countries in the decision-making process of the multilateral financial institutions.

International liquidity

Reform of the International Monetary Fund

One of the glaring weaknesses of the global monetary system is the paucity of resources that could be applied for regulatory and corrective purposes. This has led to suggestions, emanating as much from the developed as from the developing countries, for a major reform of the International Monetary Fund whose present structure derives from the conditions and experiences of earlier times. Proposals have been made for a major strengthening of the capital structure of the Fund so as to enable it to deal with emergent instabilities in the world financial system and to regulate speculative capital flows. Specific suggestions have also been made, as referred to earlier, to the introduction of such instruments as tax surcharges on the movement of short term financial assets.

Regional funds

The current Asian crisis has demonstrated the paucity of international

funds to provide liquidity in times of financial crisis and the need for supplementary regional funds to assist affected countries contain a crisis and resume economic growth. Such regional funds, independent of, though working in cooperation with, the IMF and based on a close understanding of the region's economies and problems would arguably provide financial assistance associated with more appropriate policies.

Regulation of private capital flows

The failure, up to now, to regulate private capital flows in the context of the opening up of capital markets and revolutionary changes in communications technology has been a major shortcoming of the international monetary system. It has resulted in efforts to correct disturbances after they have occurred and through one-sided actions focused only on the borrowing countries.

From the point of view of development, what developing countries need are capital inflows which can make a contribution to development rather than inflows of speculative short term capital. The latter tend to come and go in surges, which causes serious difficulties for the recipient countries, including with respect to the exchange rate.

Moreover, as the Asian crisis has shown, the introduction of extensive capital account liberalization in recent years has made it difficult for governments to respond effectively to crises of confidence and to speculative attacks on their currencies. Developing countries individually therefore need to proceed with caution on the matter of financial liberalization. Moreover, in view of the awesome consequences of financial crises, a South Agenda must resolutely question the IMF's intention of promoting capital account liberalization in all developing countries, and must work to prevent the proposed change in the institution's Articles of Agreement which would facilitate this plan. Maintaining control over the capital account would also help developing countries avert speculative attacks on the currency since restrictions on capital outflows would prevent the transfer abroad of the proceeds of such speculation, whether owned by nationals or foreigners.

Ending the marginalization of developing countries from decision-making

Any agenda of the South must also underline an issue, which though not new, is gaining critical importance in the context of the evolving world economy. This is the need to put an end to the marginalization of the developing countries in the policy and decision making processes of the multilateral financial institutions -- the International Monetary Fund, the World Bank and the regional development banks. At present voting power in the multilateral financial institutions is proportional to the capital contributions of individual countries and allows undue influence to be exercised by the major shareholders over their work, including the analysis and policy recommendations made by the Fund. Such a formula is consistent with the rationale and practices of private sector corporate bodies devoted to profit maximization. But it is hardly compatible with the representativeness and the needs of multilateral financial institutions that play a critical part in global economic governance. As mentioned earlier, the developing countries now account for nearly half of world output and are predicted to take up, in about a decade or so, the major share of global consumption and capital formation. They have been the major victims of recent disturbances in global capital and financial markets and, save perhaps for the countries in transition, virtually the exclusive objects of structural adjustment prescriptions. Their need for a much greater voice in the governance of the multilateral financial institutions is, therefore, compelling. This must be a crucial dimension of any process

of institutional reform and a major element in any new agenda of the South. Developing countries themselves must give detailed attention to the matter with a view to putting forward concrete proposals of their own on how this could be put into effect.

The developing countries need, therefore, to place the above and other related issues high up on any Agenda of the South and institute early preparatory work on the subject on international monetary reform. The subject is, on any reckoning, an important dimension of the thrust towards globalization and liberalization.

3. International Trade and Trade-Related Issues

The international trading system is the other parallel track on which the globalization and liberalization express rolls forward. This is reflected in the transformation of the traditional GATT processes in the course of the Uruguay Round and the subsequent establishment of the World Trade Organization. The earlier preoccupation of the GATT with the lowering of barriers to the international trade in merchandise were continued and even extended to embrace two important areas that had up to then been excluded -- the trade in agriculture and in textiles. These were areas of interest to the developing countries although the liberalization processes were extended over considerable periods to reflect mostly the concerns of developed country producers. The benefits of the Uruguay Round, even in the traditional field of merchandise trade were, however, uneven as applied to different groups of countries. There were indeed shortcomings from the viewpoint of the developing countries. The average reduction in tariff rates, for example, was steeper for products exported by the developed countries than for products of interest to the developing countries. The escalation of tariff rates in developed countries in respect of processed products from the developing countries continues. The lowering of MFN tariff rates has led to an erosion of preferential tariff margins enjoyed by the developing countries under the Generalized System of Preferences.

The Uruguay Round, however, introduced other changes which were even more far reaching. They arose essentially out of the wish of the developed countries to introduce new dimensions into the international trade system that reflected their interests in a changing pattern of comparative advantage. Accordingly such new issues as trade in services, trade related investments, intellectual property rights and certain others were brought into the ambit of trade negotiations. Subsequent to the conclusion of the Uruguay Round, other new issues were also introduced such as the need for a multilateral investment agreement, the linking of environmental and labour questions with trade rules, competition policy, government procurement and, more recently, electronic commerce. In addition, there has now been the call from the United States and other developed countries for the early launching of new multilateral negotiations under the auspices of the World Trade Organization intended to extend still further the liberalization process.

The developing countries must assess these developments and forge their own responses and proposals which will form an important part of any new agenda of the South. The experience of the Uruguay Round and its aftermath points to several conclusions that serve as a guide to their future responses -- whether they relate to the implementation of agreements already reached, to the new issues that have subsequently emerged, or any new negotiating round proposed for the future.

- * First, the developing countries, though potential beneficiaries of an open and rule based trade system, need to have their interests reflected in both the tempo and direction of trade liberalization.

There is no necessary convergence of interest in this matter, at all times and on all subjects, between countries at different stages of development.

- * Second, the developing countries need to study and respond carefully to proposals initiated by the developed countries to ensure that their own interests are also met to as great an extent as possible, going beyond mere damage limitation.
- * Third, the developing countries should prepare and initiate their own proposals regarding the manner in which the process of liberalization needs qualification and adaptation to reflect their own interests and situations. Such proposals must reflect the interactions between trade liberalization and new trade regimes, on the one hand, and development goals, including the fundamental goal of building up national capabilities, on the other.
- * Fourth, the developing countries need, at both the national and regional level, to build up their own expertise and analytical capability so as to enhance the effectiveness of their spokespersons at international negotiations.
- * Fifth, and of overriding importance to any common agenda of the South, the developing countries must coordinate positions, reconcile conflicts of interests between them and present as united a front as possible in multilateral trade negotiations. They are not, in contrast to the situation in the multilateral financial institutions, a minority voice in the field of decision making in the World Trade Organization. United positions adopted by them cannot but influence greatly the course of multilateral negotiations in the field of trade. It is for them to ensure a mutually reinforcing relationship between trade liberalization and development goals.

Developing country interests are affected by the whole array of issues covered by the WTO and in the period immediately ahead there are a number of key tasks facing the developing countries. Even a brief indication of the sort of concrete tasks on which they will need to collaborate to promote their agenda indicates the magnitude of the challenge.

The follow-up to the Uruguay Round Agreements

In relation to the Uruguay Round Agreements, developing countries will need to:

- * try to rectify what they perceive as shortcomings in these agreements;
- * ensure that the reviews that are to take place as part of the Uruguay Round built-in agenda are not used to prejudice South interests. A case in point is the proposal by the major developed countries to widen the Uruguay Round TRIPs Agreement to include treaties negotiated in the World Intellectual Property Organization (WIPO). Indeed, the South has strong grounds for proposing a revision of TRIPs to establish an intellectual property rights regime which is responsive to development needs;
- * agree on means of trying to ensure full implementation by the North of the Uruguay Round commitments in areas of special interest to the South. In particular, attention needs to be given to gaining "full and faithful" compliance with the terms of the Agreement on Textiles and Clothing.

The Marrakesh Decisions

Developing countries also need to formulate their position and work to ensure the rapid and full implementation of the Marrakesh Ministerial Decisions, particularly the Decision on Measures in Favour of Least Developed Countries, the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries, and the Declaration on the Contribution of the WTO to Achieving Greater Coherence in Global Policy Making.

Food security

In this context developing countries must address the issue of food security. A considerable number of least developed countries and a significant number of net food importing developing countries continue to suffer from food insecurity, a condition which manifests itself in continuing high levels of malnutrition in a substantial proportion of the local population and an important percentage of the overall population of developing countries. In the face of inadequate domestic food production, declining food aid and potentially higher world food prices in the wake of implementation of the Agreement on Agriculture the situation threatens to become worse. An Agenda of the South must bring forward fresh proposals that would relieve the short-term food security problem and help remedy the problem in the medium to long term.

Special and differential treatment for developing countries

An Agenda of the South must also give attention to matters of principle relating to negotiations. The principle of "special and differential treatment" for developing countries in negotiated agreements was largely abandoned during the Uruguay Round negotiations in favour of achieving "level playing fields". The main concession gained by developing countries was a transitional period allowing a short delay in the application of equal obligations. Taking the Uruguay Round as whole and certain individual Agreements, such as those on agriculture and on textiles, a number of aspects of the agreements suggest that it was the developed countries which benefited from special and differential treatment. Now that the WTO 1998 Ministerial Declaration has agreed on the need for effective implementation of special provisions in favour of developing countries, developing countries need to present their own proposals on how such special and differential treatment can be implemented.

Apart from focusing on substantive matters, an Agenda of the South in relation to trade matters needs also to focus on the procedural rules and processes in the WTO, relating to matters such as the Dispute Settlement Understanding which currently works to the disadvantage of the developing countries.

Foreign investment and competition policy

Other activities in the WTO point to further crucial issues for attention on the South's agenda on trade-related matters. The working groups (established as a result of decisions of the WTO Singapore Ministerial Meeting) are due to report soon on possible future work on two issues of vital importance to the future prospects of developing countries, namely, trade and investment and trade and competition policy. The matters pertaining to these two issues are in fact highly inter-related.

As mentioned earlier, the advanced industrial countries aim to encourage developing countries to become party to a multilateral agreement, possibly

within WTO, to liberalize foreign investment flows and establish standard rules of treatment. If the rules were similar to those being established in the Multilateral Agreement on Investment (MAI) being negotiated in the OECD, multinationals would have even wider scope for their activities than at present. Unfettered access for foreign direct investment in developing countries raises a number of legitimate concerns with respect to their broad contribution to development. One of these vital concerns pertains to the issue of competition and the current trend of international mergers and acquisitions and of strategic alliances among major enterprises. Whether these corporate strategies will strengthen the productive capacity of host countries, or whether local capacities will be eliminated as part of corporate global designs, is of crucial importance to developing countries. Hence, it is of the utmost urgency that an updated agenda of the South address the issue of foreign investment and of competition policy, both national and international. To do so adequately, the developing countries will need first to define a set of principles for a policy-framework which reflects their interests in these matters.

New protectionism

Another broad area for concern on the part of all developing countries is one which runs across a number of trade and trade-related matters, namely new forms of protectionism, which unless halted, will replace tariffs as the principal barrier to North-South trade. In the WTO and other organizations such as UNCTAD, ILO, UNEP and WHO, developing countries will need to work in concert to prevent technical, environmental, social, health and other grounds being used to introduce what in effect are measures with a protectionist intent.

The commodities issue

There are also other features of the world trade scenario that need attention in an Agenda of the South. The commodities issue is one of the most important of these. It figured prominently in the earlier agenda of the South since its inception. It was a high-water mark of the North-South dialogue during the 1970s and the subject of the agreements reached unanimously in UNCTAD on the Integrated Programme for Commodities and on the establishment of the Common Fund. In the more recent period the commodities issue has been dropped from the agenda for international development cooperation. The weakening of developing countries, many of them commodity producers, and the advance of free market ideologies in the developed countries were decisive factors. Previously existing producer-consumer commodity agreements were allowed to lapse preventing the use of the buffer-stock financing facility of the Common Fund.

Nevertheless, despite the decline in the importance of commodity trade in the exports of the developing countries taken as a whole, the weakness of commodity prices and hence their terms of trade has been a crucial factor in the severe difficulties experienced in recent times by developing countries, many of them among the poorest, in Africa and elsewhere. The commodity issue must, therefore, remain an important element in any agenda of the South. A revival of growth rates in many developing countries is scarcely possible without a return to stronger and more stable commodity markets. The developing countries must, therefore, contest the rationale underlying the dismantling of the framework of international commodity policy. They should, in the absence of positive responses from the developed countries, initiate and encourage schemes of supply management undertaken by the producing countries themselves. Supply management was, in any case, at the heart of producer-consumer agreements. Its rationale has for long been endorsed by even classical economic theory.

Trading arrangements and groupings

A development that has paralleled the evolution of an unified and global trading system under GATT and WTO auspices has been the emergence and proliferation of trading arrangements applicable only to selected countries. Apart from regional and sub-regional cooperation arrangements between neighbouring countries, recent times have witnessed the creation of vast and powerful cooperation groupings that span continents and include both developed and developing countries. These groupings, large enough to be described as "mega blocs" are, as in the case of the Asia Pacific Economic Cooperation (APEC) and potentially NAFTA and even the European Union, spread over a wide geographical area. Their purpose is to liberalize trade and other exchanges between their members, a goal that is said to represent a "fast track" towards global trade liberalization.

However, these developments raise important questions of relevance to the developing countries. Since such groupings aim at the reduction or elimination of tariffs by the member countries in favour of each other, the question arises of the discriminatory treatment of developing countries that do not belong to these groups. The developing country agenda on North-South issues had placed emphasis from the earliest times on generalized preferences applicable to all developing countries. The present arrangements suggest a departure from this principle with the preferential treatment of even the developed member countries in the markets of the developing member countries. This is an issue that merits attention to ensure that, to the extent possible, the negative effects on non-member developing countries are minimized. "Open regionalism" should pave the way for an early transition towards an universal trading system. It should not result in a fragmented "federal trading system" for the world economy and vertical zones of influence for powerful countries of the North. This too is an important strategic issue for an updated Agenda of the South relating to the evolution of the international trading system.

4. Science and Technology

Technological transformation lies at the core of the development process and advanced technological capability is one of the distinguishing attributes of developed countries. Advances in this realm have been so rapid that the future is being portrayed as belonging to a "knowledge society". Yet the prevailing gap between the developed and developing countries in this field -- despite some notable advances in some countries of the South -- remains enormous. Thus, while the per capita income of the 24 richest countries is about 60 times that of the 50 poorest countries, the science and technology expenditures of the former are 250 times greater than that of the latter. The OECD countries account for 85 per cent of total world R&D expenditure on science and technology. The narrowing of this gap must, therefore, be a major objective of the countries of the South and an issue of the highest priority in any agenda of the South.

Scientific and technological capability, including the all important human resource capacity, grows in many ways -- through national actions, through South-South cooperation, and above all through a variety of interactions between the developed and the developing countries. International trade, foreign direct investment, facilities for education, advanced studies, work experience, links between centres of research and learning, arrangements for the purchase and sale of innovations and intellectual property, are among the multiple channels through which scientific and technological advances are developed and disseminated across national boundaries. Both the state and private actors have been important agents in the generation and transmission of scientific and technological advance. Any agenda of the South will need, therefore, to deal selectively and constructively with the

manifold aspects of science and technology. This is a task that needs to be organized in the context of the follow-up work in the period ahead.

There are, however, two broad developments that have emerged in the more recent period that need immediate special attention as part of a broad framework to guide the elaboration of an Agenda of the South. These are outlined below.

Institutional arrangements

One of the developments in recent times has been the weakening of the institutional arrangements for dealing with the subject of science and technology in the multilateral context. In 1979, the UN Conference on Science and Technology for Development, convening in Vienna, and the preparatory process that preceded it put a strong spotlight on international cooperation on science and technology for development. Many recommendations were made including those relating to significant arrangements for the handling of the subject in the UN system. The years that followed have seen, unfortunately, the dismantling of much that was established and a marked loss of momentum in the thrust towards international cooperation on science and technology for development. The treatment of the subject has been relegated to a small unit in UNCTAD and to ECOSOC's Committee on Science and Technology. There is a similar void within the multilateral financial institutions on advancing science and technology for development. During the 1970s UNCTAD had initiated negotiations for the establishment of a Code of Conduct on the Transfer of Technology that was intended to cover the concerns of all groups of countries. The work on the Code reached an advanced stage, almost the stage of finalization, but an ultimate conclusion was never reached. The proposed Code became a victim of the free market ideology that was beginning to gain ground at the time.

The revival of effective institutional arrangements to deal with science and technology as an area of international cooperation for development becomes, in the light of this experience, a relevant issue for an updated Agenda of the South. In the context of UN reform, the South needs to put forward proposals for the introduction of a highly improved S&T institutional capacity in the United Nations at both intergovernmental and secretariat levels, which offers a forum for research, analysis, dialogue, debate and negotiations.

Science and technology and globalization

A second and closely related development concerns the impact of globalization and liberalization philosophies on the concept of international cooperation in the area of science and technology. The emphasis of such philosophies has been on the operation of market forces and private sector actors as instruments for the spread of scientific and technological advance. In consequence, important aspects of the technology question came within the scope of the Uruguay Round negotiations under the heading of Trade-Related Aspects of Intellectual Property Rights (TRIPs). Paradoxically, however, the main thrust of the negotiations on the subject was not the liberalization of technology transfers but the protection of intellectual property rights. There have been serious misgivings on the part of the developing countries regarding the thrust of the new arrangements, misgivings that all this would favour the monopolistic control of technology transfers and raise their price, misgivings about the patenting, with minor modifications, by foreign agencies of indigenous knowledge that has been in common use for centuries, and other drawbacks and disadvantages.

All this indicates that the science and technology issue is a crucially important aspect of a number of wider processes such as those covering the reform of the United Nations, the programme of the World Trade Organization, international negotiations on biodiversity, climate change, telecommunications, the activities of the multilateral financial institutions in the realm of structural adjustment, and South-South cooperation

A substantial science and technology capacity is therefore crucial to the ability of the South to participate effectively in discussions and negotiations on range of matters on the global agenda. Developing countries therefore need to act collectively, in order to improve their bargaining and negotiating power on these and other matters on the global agenda, so that the North does not continue to benefit from the South's lack of awareness or preparation. This would merit the establishment within the South of continuing organizational arrangements to monitor the evolving scene and to formulate inputs into an agenda for international cooperation and for South-South collaboration.

From a South perspective, there are a number of key policy issues which merit urgent and sustained attention in the global political arena. The South could prompt the necessary deliberations on these matters by preparing well formulated proposals and pressing for UN initiatives to:

- * harness S&T, through long-term internationally coordinated and funded programmes, to resolve key problems on the global development agenda relating to poverty, food, health and environment matters;
- * assess the respective roles of the public and private interest in influencing the direction of S&T initiatives and knowledge and examine the possibilities of treating scientific and technological knowledge as a common heritage of humankind;
- * seek new means to achieve a wider and more equitable spread of scientific knowledge and technologies.

In this context, and more specifically, the South needs to place on the international agenda a proposal for:

- * an in-depth review of the TRIPs agreement in WTO, in order to evolve an intellectual property rights regime which responds to the need for development in the South, which promotes efforts to build S&T capabilities in developing countries, and which secures a more equitable and preferential access to knowledge and technologies needed to improve living standards and fulfill the right to development.

5. Environment and Development

Since the early days of the North-South dialogue a number of new issues have emerged which have been the subject of discussions and negotiations in multilateral bodies and are of relevance to the developing countries. The issue of environment is among the most prominent among these. The theme of "sustainable development" is one of the outcomes of the environment debate. Nevertheless, environmental issues cannot be focused primarily on the development processes of the developing countries in the name of "sustainability". It is true that attention needs to be given to avoiding or limiting, as far as possible, the adverse environmental and ecological consequences that could accompany the acceleration of economic growth. International cooperation can play a major part in assisting in this objective through technological and financial support.

Agenda 21, the product of the Conference on Environment and Development held in Rio de Janeiro in 1992, has set out a comprehensive programme of action, a programme that ranges from technological and financial support to the levy of taxes on environmentally harmful activities. But, as revealed at the recent review by the UN General Assembly, progress has been slow with most commitments by the developed countries remaining unfulfilled. The developing countries must continue to focus on ensuring the full implementation of the programme of action in Agenda 21 and the issues involved must form part of an Agenda of the South.

There is, however, another major dimension to the environmental issue that goes beyond the "sustainability", taken in isolation, of the development process of the countries of the South. It is that the pressures already being imposed on the global ecological system by the advanced countries are pre-empting the future development prospects of the countries of the South. It is indeed being said that the global ecological system cannot accommodate the replication by the developing countries, with their vast populations, of the present development models, living standards, and life styles of the North. Yet, a world of highly contrasting living standards should not be the result of the development process. A development model that is sustainable globally calls first and foremost for actions and efforts by the developed countries to evolve, apply, and disseminate technologies and models of production and consumption that relieve the pressures that are already being imposed on the global environment. Without that there will be insufficient "environmental space" left in the global system to accommodate the development process of the countries of the South. This subject is related to the conventions and other instruments that are being negotiated in the multilateral context on global warming, the release of greenhouse gases and related issues. Progress in these areas, deriving from purposeful actions and commitments by the advanced countries, is of vital importance to the South no less than support for the latter's own environmental policies and programmes. This aspect must, therefore, be an imperative for an Agenda of the South.

6. The Reform of the United Nations

Relatively recent changes in the global political scene have brought into focus the issue of the role of the United Nations and of UN reform. The countries of the North are largely of the view that the end of the cold war has provided new opportunities for the United Nations under the guidance of the Security Council to discharge the political role originally intended for the Organization. According to this same view, the new emphasis on market forces in the context of liberalization and globalization also means that the earlier involvement of the Organization with economic issues and policies for development should be lessened. The United Nations would continue to deal with social aspects of development, humanitarian and human rights issues, but the management of the global economy, including that part which relates to developing countries and development, should be left primarily to the Bretton Woods institutions and the newly established World Trade Organization.

Pressures on the United Nations to conform with these views have resulted in a significant retrenchment in the UN's development mandate and in its budgetary resources and staffing devoted to economic and development activities. The result has been to dilute the UN's critical contribution to the analysis of economic and development problems and to policy formulation in the context of negotiating activities on these subjects. As a consequence, the Bretton Woods institutions and the WTO, which are de facto outside the UN system and dominated by the economic and political powers of the North, exercise the major influence with regard to management of the global economy, the overall direction of economic policy and development in

the South.

Such developments are not ones that could be acceptable to the developing economies whose numerical preponderance in the United Nations and its Specialized Agencies still prevails. They are not in harmony with the basic inspiration of the UN Charter or the roles intended for the United Nations. Moreover, they prejudice the possibility of achieving an integrated approach to global development and greatly reduce the possibility of promoting developing countries' collective and individual interests.

One of the main, overarching objectives of the South's new agenda, therefore, must be to press for reforms in the United Nations which will reinstate and strengthen the Organization's economic and development mandate and rebuild its capacity to take effective leadership in these matters. UN bodies such as UNCTAD should be given more resources in order to strengthen their intellectual role and the negotiating functions they have performed over the years.

A United Nations empowered in this fashion would bring new hope to the four fifths of humanity which populate developing countries and whose needs must receive more careful attention in the current liberalizing world economy. The issue of UN reform in fact embraces the principal objective of an Agenda of the South, which is essentially to bring development back to the centre of the world's attention. Moreover, the United Nations, above all other international organizations, is of crucial importance to developing countries as it is the only institution which is democratically inspired and of wide-ranging and global importance and in which they have a solid majority.

7. Social and Other Issues

In recent times a growing number of other issues normally pertaining to domestic goals, essentially of developing countries, have also become the subject of international conferences and negotiations. These include, among others, subjects such as population, social justice, gender equality, poverty alleviation, working conditions, child labour, the habitat, and the separate yet closely related issue of human rights.

Social questions are, of course, of great intrinsic importance to the developing countries, since they pertain to the social situation of their peoples who are the ultimate objective of development, and they involve vital questions of internal equity and distribution. They need and should be pursued in the international arena, examining such matters with respect to both North and South, and by drawing policy lessons to be learned from recent and current experience in different developing countries.

However, action on these matters is not a substitute for dealing with the "raw nerves" of international economic relations in the broader context of development and the global policy framework. In fact the aim should be to achieve a mutually reinforcing relationship between the two.

The UN Social Summit in 1996 represented a significant attempt to re-establish the severed link between the "social" and the "hard core" economic issues of the global development agenda, such as international trade, finance, and monetary issues. It documented the social consequences in the South, as well as in the North, of the globalization process.

A new Agenda of the South must address itself to the challenge of pressing for continuing and new initiatives in the United Nations to overcome this imbalance.

8. South-South Cooperation

South-South cooperation has for long been an important part of the overall agenda of the countries of the South on development issues. In the early period the logic of South-South cooperation was based largely on the need to widen markets on a sub-regional or regional basis, as a framework for import substituting industrialization reflecting the economies of scale. The scope for the export of manufactured products to outside markets was believed, at the time, to be limited. The concept of globalization and liberalization has shifted the emphasis from self contained growth within regional or sub-regional parameters to one of enhancing the capacity of developing countries to participate in the global economy. Preferential and free trade arrangements within regional groupings were seen as a "fast track" within the global liberalization process that encouraged both domestic and foreign investors. Moreover, groupings have begun to emerge with overlapping memberships that serve to extend the network of linkages between countries. As mentioned before, groupings have also emerged that include both developed and developing countries as members.

The impact of regional and sub-regional groupings on accelerating the trade among member countries has in most cases been limited. This reflects, in contrast to the situation in Europe, the usual absence of complementarities within groupings of developing countries and the historical orientation of their trade towards the markets of the North. This suggests that intra-regional preferential or free trade needs to be supported by other measures of cooperation in such areas as business linkages, technological development, infrastructure improvement and finance. The creation of institutions in the South for the promotion of sectoral issues such as science and technology has also been urged in the context of South-South cooperation. Strengthened and regular contacts between regional groupings can also result in an exchange of both information and of facilities.

The cooperation of developing countries across the board, that is to say at the global or inter-regional level is also an important aspect of South-South cooperation. The Global System of Trade Preferences (GSTP) has been launched, but is still in the early stages of evolution. Progress needs to be accelerated. As mentioned earlier, the developing countries need also to give attention to the impact of global developments such as trade liberalization on an MFN basis on the preferential margins they extend to each other. The impact of cooperation groupings that include both developed and developing countries is yet another dimension that calls for attention.

Attention should also be given to the scope for South institutions. In the past the proposal for establishing a South Bank gained the spotlight but never materialized. This and the scope for regional monetary arrangements, as well as the need for establishing scientific, technological, and educational institutions open to all developing countries, and other measures for institution building should also be part of the Agenda of the South.

The coming together of countries of the South in the context of negotiations with the developed countries is also a crucial aspect of South-South cooperation. The Group of 77 and the Non-Aligned Movement played a pivotal role in this process. In recent years there has been a weakening of the cohesiveness and preparedness of developing countries in multilateral fora. There have been a number of factors that have contributed to this situation. The reversal of this state of affairs would be a vital objective of any new agenda of the South. Some of the issues involved are touched upon in the concluding section of this paper. But one observation is, perhaps, specially pertinent to the present discussion.

Virtually all developing countries today belong to one or more sub-regional and regional groupings. Such groupings are supported by secretariats of their own and by regular gatherings of policy makers at the highest levels. Up to now, however, these mechanisms have rarely addressed North-South issues in the context of multilateral negotiations or devoted expertise to the treatment of multilateral issues. Such a need is likely to grow in importance in a changing setting which has already witnessed a weakening of the contributions of international secretariats to development issues, contributions that helped in the past to forge the platform of the developing countries as a whole in international fora. In the present context there is a growing need for exchanges between developing countries on multilateral questions and for various forms of networking among them. The institutional machinery for regional and sub-regional cooperation can be among the focal points that could be drawn upon for this purpose.

III. DEVELOPING AND APPLYING THE AGENDA

The putting together of a new Agenda of the South raises a number of issues, other than the substantive, that are pertinent to ensuring and enhancing its efficacy. These include the interactions with the developed countries in multilateral fora, the mobilization of the developing countries around a coherent and acceptable platform, and the organization of the substantive work that determines the content of the platform. The developing countries need to address these and related questions which are central to the value and success of any platform or agenda. As mentioned before these questions have acquired a new urgency against the background of the changing global setting and developments affecting the earlier role of the United Nations Organization.

The need for a positive agenda

South-South cooperation apart, any agenda of the developing countries must serve as an instrument for their interactions with the developed countries in multilateral bodies and negotiating processes. This requires that it provide the basis for identifying developing country interests in the functioning of the global economy with a view to gaining recognition for, and the reflection of, such interests in the outcome of negotiations. Other parties to the negotiations will also have their agendas and the ultimate test of success would be the reconciliation of viewpoints in a result acceptable, as far as possible, to all.

In the absence of their own agenda the countries of the South will have little option but that of reacting to the initiatives of others and of focusing their efforts on damage limitation. A degree of confrontation is implicit in any negotiation that aims at reconciling different viewpoints. What needs to be avoided is the sterile confrontation that produces no results. In the context of the globalization and liberalization process, all groups of countries have common interests pertaining, for example, to the dynamism and good functioning of the global economy, the widening of opportunities for trade, capital flows, and technology transfers and their equitable distribution, and the avoidance of disruptions in countries on account of totally unregulated developments and premature shifts in policy. All this provides a basis for multilateral negotiations focused on shared interests. Multilateral negotiations should not be a one way street leading from those who ask to those who give or from those who dictate to those who accept.

Developing a coherent platform

In their dealings with the outside world, the developing countries have

both multilateral and bilateral interests. They need to pursue each of these without subjugating the one to the other. Some problems can only be solved by multilateral accords, particularly those relating to global mechanisms and trends. Others could benefit more directly from bilateral relations with affluent countries. All countries should recognize that progress requires walking on two feet. In the recent period, the developing countries that had become vulnerable to adverse external developments have tended to afford priority to relief actions that were more immediate than could arise out of multilateral processes. But the dichotomy is unreal and unnecessary. The more the developing countries unite around common initiatives and positions the less subject would they be to pressures emanating from their bilateral connections. On the side of the developed countries, the earlier dominance of the cold war calculus must give way to a recognition of the stake they have in progress and good order in the countries of the South. There can be no iron curtain to shield them from the spread of a variety of destabilizing factors -- social, economic and environmental as much as political. Increasing inter-dependence is of the essence of a successful process of globalization and liberalization.

An agenda of the South needs to recognize not only the linkages between development and the global economy but also the commonality of many of the major problems facing the developing countries. As mentioned earlier, the developing countries have never been an homogenous group with identical problems and needs. Regional locations and degrees of development were factors of differentiation. In the recent period, however, the degree of differentiation among the developing countries has widened with, for example, the rapidly growing countries of East and South Asia having different experiences to most of the poorer and least developed countries in different parts of the world. This development has its implications for the forging of a common agenda of the South around which all countries can unite. Some countries, for example, have a strong stake in strengthening commodity markets, concessional aid and debt cancellation while others are primarily concerned, for example, with market access, capital movements and technology transfers. An agenda of the South cannot be built just around issues in which developing countries have a common and equal interest. On the contrary, it must also take account of the varied interests of all such countries. This implies that such an agenda be inclusive of all the major problems faced by the South despite the different degrees of interest on specific issues on the part of individual developing countries. The overriding need is for an agenda around which all the developing countries can unite because its elements include the concerns of each of them while the support of all is needed for success in the multilateral arena. The design of such an agenda, however, is a more challenging task now than before.

Organizing the substantive work

If an Agenda for the South is to be formulated and applied effectively, the developing countries need to address the question of how the work required for such a task could be organized. As already mentioned, recent developments are tending towards a reduction of the role played in the past by the United Nations secretariats in highlighting the development dimension of problems and proposing corrective actions that could be agreed upon, after negotiations if necessary, by all members. This is a void that the developing countries themselves would need, in large part at least, to fill themselves. At present they are not organized for such a task. Proposals made in the past to establish an OECD type secretariat for NAM or the Group of 77 did not find acceptance. If such a course is ruled out there has to be a search for alternatives.

The developing countries need arrangements for the elaboration and regular

updating of their agenda. The issues broadly outlined in the preceding section all need further study if they are to be translated into specific proposals that could be advanced in a negotiating process. The developing country representatives participating in negotiations also need professional support in the course of such negotiations. In the absence of such back-up the focus will tend to be limited to general positions and approaches rather than on concrete proposals and responses.

There are various possibilities that might serve to fill the present vacuum. One is the development of a networking system between countries of the South involving specialists and researchers in the various fields of importance. This will require actions and activities at the national level that will serve to create a wider circle of developing country professionals to support the work of ministry and departmental officials who are generally the most familiar with the multilateral scene. It will also require linkages between research institutions and individual experts in different countries. Use will need to be made of modern advances in electronic communications that provide new opportunities for such linkages.

In this connection two specific proposals have been made by a member of the Panel. The first is to institute an Economic Coordination Scheme using regional focal points among NAM members to help identify and analyse aspects of international economic and trade-related issues of importance to NAM and to suggest means of increasing the negotiating leverage of developing countries in international fora. The second proposal is for a scheme to link research institutions throughout the South into networks in order to improve developing countries' scientific infrastructure and technological base. These proposals are set out in more detail in Annex 1.

Regional cooperation organizations of developing countries should also be invited to address issues relating to the impact of global developments and negotiations on their respective regions. There is too little of this at the moment but it could serve in helping to reconcile the positions of different countries and groups of countries in relation to multilateral issues and thus in forging common positions. The overarching need in respect of all such proposals and possibilities is that of coordination. The establishment of mechanisms for such coordination is a sine qua non for progress on any agenda of the South.

The developing countries would need to explore these and other possibilities that could improve coordination. Use must be made, in any case, of the overall inter-regional groupings of the developing countries. These comprise the Non Aligned Movement and the Group of 77. They have, with an overlapping membership in large part, played a mutually reinforcing role in the past and must continue to do so in the future. NAM receives its guidance from periodical meetings of the Heads of member countries. The Group of 77 is specially geared to the activities of the UN system and has "chapters" in the principal cities where UN agencies are located. The interaction between NAM and the G77 is facilitated by the fact that the latter group includes all NAM members. Another mechanism of the South is the Group of Fifteen: The Summit Level Group of Developing Countries, which during its annual summits addresses issues which are of relevance both for North-South dialogue and for South-South cooperation. There is also the Group of 24, a part of the Group of 77, which focuses on international monetary matters and the evolution of the international monetary system and institutions.

In the present context of building up an Agenda of the South there is a need for setting up some overall point of coordination. Suggestions have already been made during the work of the present Panel that the Presidency of NAM undertake such a task and assemble and launch the expert groups,

both overall and sectoral, that would be needed. In this connection, it could mobilize those national and inter-South institutions, including for example the South Centre, which contribute or could contribute to the work of NAM and the Group of 77. Whatever the path chosen, the prime requirement at present in respect of any agenda of the South is one of organization and mobilization. It is hoped that the forthcoming XIIth Summit of the Non-Aligned Movement due to convene in South Africa will launch the actions that would meet this need.