

On the Creation of a New International Economic Order: Issue Linkage and the Seventh Special Session of the UN General Assembly

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On the creation
of a new international economic order:
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Seventh Special Session of
the UN General Assembly

Branislav Gosovic and John Gerard Ruggie

“This negotiation is about change; it is not about a smoother management of the *status quo*.”

—Secretary General Kurt Waldheim, at the closing of the Seventh Special Session

“Perhaps never before in the history of the United Nations has there been so intensive and so genuine a negotiation between so many nations on so profoundly important a range of issues. We have shown that we can negotiate in good faith and doing so, reach genuine accord. Not least we have shown that this can be done in the unique and indispensable setting of the United Nations. Mr. President, this system works.”

—US Ambassador Moynihan, at the closing of the Seventh Special Session

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“The Seventh Special Session has convincingly proved that this new international economic order is something which, although still in its infancy, is far from being a mere point of dogma or a rhetorical figure. On the contrary, it already constitutes and will every day become more and more the pivot on which the economic relations of States will turn.”

—Mexican Ambassador Garcia Robles,
Chairman of the Group of 77, at the
closing of the Seventh Special Session

To our knowledge, no previous event in United Nations development diplomacy ended on as positive a note as did the Seventh Special Session of the General Assembly. The favorable assessments by participants and observers alike rest on the impression that serious and comprehensive negotiations about the economic relations between rich and poor countries are now underway. Our purpose in this report is to assess the validity of this impression, and to examine the current state of “new international economic order” negotiations as reflected by the Seventh Special Session.

The greater part of our paper is devoted to analyzing the positions advanced at the Session. This analysis indicates that countries have *not* changed their positions on the basic economic objectives they pursue nor on the instrumentalities of international economic organization they prefer. However, these preferences are coming to be expressed within a policy context whose perimeters are expanding: the issue of contention at the Seventh Special Session was not so much *whether* but *what kinds* of collective arrangements to construct in order to deal with certain Third World demands, particularly in the commodity and raw materials fields. This represents an important shift in the posture of the major industrial countries. What produced this shift was the confluence of forces and events that preceded the Session: essentially, the fact that new international economic order negotiations became progressively entangled with oil diplomacy. The Seventh Special Session occurred at a strategic moment in this process of entanglement.

It is beyond the scope of the present paper to trace in detail the evolution of these forces and events. A brief description of the broader setting within which the Session assumes its significance is provided in Section I. In Section II we turn to the Session itself, discussing the agenda, the dynamics of negotiation, the positions taken, the outcome of the deliberations and the immediate future. We conclude with a brief assessment of the meaning of these developments for the structure of international organization.

I The setting in brief

Any point of entry into the complex diplomatic and institutional lattice comprising the new international economic order negotiations over the past two years is somewhat arbitrary. However, a good place to begin is with the Fourth Summit of Non-Aligned Countries, held in Algiers in September 1973. The summit expressed

disillusionment with international cooperation for development. Not only progress achieved to date, but the very character of the international development strategy were held to be inadequate. The summit therefore called for a special session of the UN General Assembly, to be devoted exclusively to problems of development cooperation; this ultimately became the Seventh Special Session.¹ The heads of state also outlined the basic conceptual framework of what they called a "new international economic order." The framework stressed the desirability for self-reliant action. It also identified the exercise of national sovereignty over natural resources as well as national control over private foreign investment in developing countries as the principal means for these countries to effect changes in their relations with the developed world. Finally, the summit set in motion an intellectual and institutional process designed to implement certain aspects of this framework. The first major element in that process was to be a meeting at which developing countries were to adopt a strategy concerning primary products.²

Thus, the Algiers summit anticipated the substance and the tone of the events that followed. The oil embargo and the subsequent quadrupling of oil prices added an entirely new dimension to the significance of these demands and actions. The negotiations for a new international economic order gained prominence for the industrial countries as consumer-producer oil diplomacy became progressively linked to new economic order concerns.

Below, we briefly address each of four components of this larger configuration: the evolving concepts and strategies of a new international economic order; the responses of the Western industrial countries to the oil situation; some critical links established between the two, from early 1974 to early 1975; and their intersection at Paris in April of 1975. Much of what took place during this period, and much of what will follow, depends on coalition politics in the Group of 77. Since it seems to have become de rigueur to question the continued viability of the Group, particularly its ties with OPEC, we address this problem at the outset.

¹ Following the recommendation of the Algiers Summit, the General Assembly decided to hold a special session devoted to development and international economic cooperation just before its regular 30th session, in the Autumn of 1975. See GA resolution 3172 (XXVIII). It stated that the purpose of the session would be to examine "political and other implications of the state of world development and international economic cooperation, expanding the dimensions and concepts of economic and developmental cooperation, and giving the goal of development its rightful place in the UN system and on the international stage." It also called on the special session to initiate "the necessary and appropriate structural changes to make the UN system a more effective instrument of world economic cooperation." See also GA resolution 3343 (XXIX), which further elaborated the goals of the Seventh Special Session and defined the scope of the preparatory process. Among other things, it called for the appointment of a small group of high-level governmental experts to prepare a study on structural changes within the UN system "so as to make it fully capable of dealing with problems of international economic cooperation in a comprehensive manner."

² This became the Conference of Developing Countries on Raw Materials, held in Dakar, from 4-8 February 1975. The Algiers Summit also called for an FAO-UNCTAD ministerial conference to deal with shortages of foodstuffs and maintain stable prices. It thus antedated the call for the world food conference.

The issue in contention is what one analyst recently called the “irrational” solidarity of the Group of 77.³ How can a Group so large and so diverse, whose members have so many non-complementary or even conflicting interests, hope to maintain unity? The expectation of some academics and in certain governments has been that it cannot. There is no permanent answer to this question. Nevertheless, three factors should be kept in mind.

First, there is nothing inconsistent in Third World countries simultaneously pursuing different types of relations with industrial countries, at different levels of international organization. There exist bilateral relations, regional ties, and global politics through the United Nations. Global multilateral politics, acted out largely through the instrument of the 77, generally concerns the status of developing countries in the international economic system and the long-term structural changes they seek.⁴ There is substantial disagreement over concrete aspects of these longer-term objectives. But on the overall structural questions—changed terms of trade, protection of purchasing power, access to markets, monetary reform, increased automaticity of resource transfers, and so on—there appears to be little to disagree about. More immediate and instrumental objectives tend to be pursued regionally and especially bilaterally, and are often guided by considerations of economic vulnerability. At these levels the individual members can and do act contrary to overall strategic interests and goals of the Group. In sum, cohesion at the global multilateral level, while involving tension and compromise, is not incompatible with considerable divergence elsewhere.

Second, the expectation that the Group cannot retain a common external position rests on the belief that their unity is purely the result of compromise among national interests. This overlooks the extent of institutionalization that has taken place within the Group in the past decade. In some instances—the Seventh Special Session for example—the common negotiating position is determined as much by compromises among *institutionally-based coalitions within the Group* as by any other factor. In such instances one might well find representatives of the same country on opposite sides of a particular dispute, the resolution of which may have little to do with compromising national interests.

Finally, there is OPEC. Current analysis has focused on whether the quantity of funds OPEC has transferred to other developing countries is sufficient to finance

³ Roger D. Hansen, “The political economy of North-South relations: How much change?” *International Organization*, 29 (Autumn 1975): 921–47. Hansen is referring primarily to foregoing short-term national interests for the sake of group unity; he himself uses the term in quotation marks, and does imply that calculation is lacking. For an elaboration on the politics of the Group of 77, see Branislav Gosovic, *UNCTAD: Conflict and Compromise* (Leyden: Sijthoff, 1972), pp. 271–93, and Diego Cordovez, “UNCTAD and Development Diplomacy,” *Journal of World Trade Law*, 1972.

⁴ Note the close linkage between actions of the Group of 77 and the Non-Aligned. The latter have increasingly assumed a more active role and came to lead the Group of 77 in the 1970s. They introduced a sharper tone to the development debate. The fact that they were primarily concerned with political issues, and had an institutionalized process of consultation and preparation of positions, added influence to the Group of 77 stance.

increased oil prices, as a measure of the future solidarity of the Group of 77. There is no question about the seriousness of the impact of increased oil prices, particularly on the least developed countries. But certain political factors are often overlooked. First, without the OPEC example as well as OPEC funds major components of the idea of "collective self-reliance" enunciated at Algiers would now still be largely conceptual. With OPEC funds, partial implementation has begun, as we will discuss presently. Second, the Group of 77 is using OPEC as its major political instrument in negotiations with the Western industrialized countries for a new international economic order. But OPEC, for its part, is using the 77 in very much the same manner: to negotiate a broad range of long-term structural changes that it could not hope to achieve were it to rely entirely on bilateral relations with industrial countries and on multilateral negotiations limited to oil. Differences of substance and strategy obviously exist, but on the broad political front a shared perception of the problem as well as a mutuality of situation exists between OPEC and the other developing countries. This symbiosis has, it appears, become even closer over the past two years.

The preceding discussion is *not* intended as a prediction. But it does imply that the imminent demise of solidarity within the Group of 77, reported for more than a decade, may be, as Mark Twain said about the announcement of his death, highly exaggerated.

"New international economic order" diplomacy

The Algiers summit thus triggered two lines of action for the developing countries, one concerned with international development cooperation and the other designed to realize a greater measure of self-reliance on the part of the Third World.

The Sixth Special Session of the General Assembly on raw materials and development occupies a central place in the story. Although called amidst policy maneuverings related to the so-called oil crisis, the purpose of the Sixth Special Session became much broader. Indeed, it probably performed the task the Non-Aligned originally had in mind when they called for what eventually became the Seventh Special Session. Since recent OPEC success had provided an example to other raw materials producers, the reexamination of economic relations between rich and poor countries in this new context of global interdependence became the guiding theme of the developing countries in their preparation for the Sixth Special Session.

Drawing on a variety of principles and measures elaborated in previous years, mainly in UNCTAD, a preparatory committee of developing countries produced a draft Declaration and Programme of Action for the Establishment of a New International Economic Order.⁵ The resolutions subsequently adopted by the Sixth

⁵ In preparing this draft declaration, the Group of 77 relied extensively on the economic declaration of the 1973 Algiers Summit of Non-Aligned and in particular the section which

Special Session were based on these drafts.⁶ The greater part of these proposals, many of which had been previously agreed upon, were not controversial. What generated controversy was the insistence by developing countries on the concept of a *new* international economic order, as well as four more specific principles: 1) permanent sovereignty over natural resources and the right to nationalization according to national laws; 2) the right of developing countries to establish commodity producers' associations; 3) a proposal for linking commodity export prices of the developing countries to the prices of imported manufactured goods through indexation; and 4) the international regulation of the operation of transnational corporations.⁷ The Session adopted these resolutions without a vote but they did not command full consensus, the developed countries expressing a large number of reservations following the adoption of the Declaration and the Programme of Action.⁸

To the conceptual framework of a New International Economic Order enunciated at the Sixth Special Session, the developing countries next sought to add a code of conduct for states in their economic relations. This took the form of a Charter of Economic Rights and Duties of States, which had been under negotiation in UNCTAD since 1972. It seemed at one point that the Charter might be adopted by consensus. However, the negotiations were inconclusive and a vote was taken in the General Assembly. Most of the developed countries felt that the Charter was unbalanced and voted against it or abstained.⁹

The Second General Conference of the United Nations Industrial Development Organization (UNIDO), held in Lima in March 1975, marked a further

dealt with permanent sovereignty over natural resources; on General Assembly resolution 3171 (XXVIII) which also dealt with permanent sovereignty over natural resources; on the 15 principles adopted in 1964 at UNCTAD I; and on the principles agreed upon at the ministerial meetings of the Group of 77 in Algiers in 1967 and in Lima in 1971, which were held in preparation of UNCTAD II and UNCTAD III, respectively.

⁶ See General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).

⁷ It should be pointed out that participants at the Seventh Special Session generally agreed that had the Sixth not been held, the Seventh would have taken up the issues addressed by the Sixth—and might have ended very much like the Sixth did.

⁸ For statements and reservations following the adoption of the resolutions, see UN documents A/PV.2229, 2230, and 2231. The text of the Programme of Action contains the qualifying phrase—"all efforts should be made"—at the opening of each substantive section. This was an important element in gaining the assent of some developed countries to this document as a whole. Note also that the Session adopted a special program to deal with the problems of developing countries most seriously affected by rising oil, fertilizer, and food prices. This matter was of secondary importance despite the immediate impact of the oil crisis and the attempt by some major developed countries to make it the central concern of the session.

⁹ For the text of the Charter, see General Assembly resolution 3281 (XXIX). For reservations voiced regarding different provisions of the Charter, see UN documents A/AC.2/1649, 1650, and 1651. All told, 79 different votes were taken before the Charter was adopted by 120 votes for, 6 against, and 10 absentions. Voting against were: Belgium, Denmark, F.R. Germany, Luxembourg, the United Kingdom and the United States. Abstaining were: Austria, Canada, France, Ireland, Israel, Italy, Japan, the Netherlands, Norway and Spain. Voting for were: Australia, Finland, New Zealand and Sweden. During the long negotiations on the Charter, differences

attempt by the developing countries to widen the scope of international cooperation for development. The Conference elaborated a direct approach to diversified industrialization as one of the central components of the United Nations' strategies and programs for development. It recommended that UNIDO be transformed into a Specialized Agency to better implement this policy. A shift was urged from the earlier focus on export-oriented and agro-based industries to a multi-sectoral approach to industrial development. This includes a greater emphasis on basic industries (steel, metallurgy, petro-chemical), integral industries (mechanical engineering, electrical, chemical), and consumer and other industries fulfilling the needs of local populations. Furthermore, the Conference urged the indigenous development of science and technology in developing countries in order to reduce technological dependence on the advanced nations. Finally, the Lima conference asked for a redeployment of world industrial capacity to increase the present share of developing countries. Multilateral consultations to this effect were to be established within UNIDO. The Lima document was not adopted unanimously. The developed countries lodged a number of reservations; some of them abstained, and the United States voted against the document as a whole.¹⁰

Toward the second goal of greater self-reliance among developing countries, a long-term program concerning raw materials and other primary commodities was elaborated at a Dakar Conference in February 1975.¹¹ Decisions aimed at facilitating the implementation of this program and in support of the collective self-reliance strategy were taken at a conference of foreign ministers of the Non-Aligned, which

between positions of developed and developing countries were being narrowed down and it was generally expected that the text would eventually be agreed to by consensus. However, the Sixth Special Session intervened, following which the developing countries took a more rigid position consistent with the New International Economic Order principles. This made compromise with the major developed countries impossible, especially on such issues as sovereignty over natural resources and treatment of foreign private investment.

¹⁰ For the Lima Declaration and Plan of Action on Industrial Development and Cooperation, and the report of the UNIDO Conference, see UN document ID/CONF.3/31. For votes, reservations, and explanations of votes, see UN document ID/CONF.3/SR.18 and ID/CONF.3/SR.18/Add.1/Rev.1. The Declaration and the Plan of Action were based on drafts adopted at the ministerial meeting of the Group of 77, held in Algiers in February 1975. See UN document E/AC.62/4. During the negotiations, the greatest difficulty was again caused by the issues of indexation, natural resources, the Charter of Economic Rights and Duties of States, and producers' associations. On this last point, the final document states that "it is urgently necessary that the developing countries change their traditional method of negotiation with the developed countries." The developed countries were annoyed that such issues, which they felt were extraneous to the concerns of the Conference and transcending its competence, were raised. In the end, and partly due to shortage of time, no effort took place to bridge the differences. The developed countries at one point proposed to give in on the issue of converting UNIDO into a specialized agency if the Group of 77 was prepared to make concessions on some key substantive issues in the Programme of Action. The trade-off, however, was not accepted by the 77, who were not prepared to compromise on what they considered to be the key principles of the New International Economic Order.

¹¹ For the results of this Conference, see UN document E/AC.62/6. In addition to providing an input into the Paris preparatory conference between oil producing, oil consuming, and developing countries (see below page 318), Dakar also set the basis for coordinating developing countries' positions on primary commodities at the Seventh Special Session, at UNCTAD IV, and at the Multilateral Trade Negotiations in GATT.

was held in Lima on the eve of the Seventh Special Session. At Lima, the Non-Aligned approved a convention establishing a Solidarity Fund for Economic and Social Development; they further decided to establish a Special Fund for Financing of Buffer Stocks of Raw Materials and Primary Products Exported by Developing Countries and to create a Council of Associations of Developing Countries Producers-Exporters of Raw Materials.¹²

Oil diplomacy

Not all of the industrial countries were opposed to all aspects of the framework of a new international economic order, although, as indicated above, the United States, the European Community in its common position, and Japan rejected the core elements. For the major industrial states the new international economic order concerns occupied a peripheral place on the hierarchy of important policy issues. The four-fold increase in the price of oil, and its many attending consequences, were much more critical.

The collective oil diplomacy of consumer countries was originally inspired by proposals of the United States. The US foresaw a step-by-step approach ultimately leading toward an attempt to force OPEC to reduce the price of oil. The first step would consist of a meeting of industrial countries, designed to head off special bilateral and regional deals with OPEC and to establish the principle of a united front. The second step was to take the form of a meeting with oil importing developing countries at which time the solidarity of all importing countries was to be established. Third, collective measures were to be taken by the oil importing countries to prepare for future emergencies, to alleviate the financial problems of oil price increases, to reduce the demand for oil and to stimulate the search for alternative sources of energy. Fourth, with demand for oil sagging and with a united front among consumer countries, a meeting was to be held with OPEC to negotiate a reduced oil price.¹³

¹² For the program adopted in Lima see UN document A/10217. The Solidarity Fund is to be located in Kuwait, and is to be financed principally through voluntary contributions. It is understood that Kuwait's initial contribution is to be about \$1 billion. Regarding the buffer stock fund, a plenipotentiary conference is supposed to negotiate and conclude an agreement in June 1976. The size of the fund is estimated at about \$3 billion initially, if copper, rubber, coffee, cotton, tea, sugar, cocoa, jute, hard fibers, and tin are included. On the Council of Producers' Associations, see Lima document NAC/FM/CONF.5/3. Among the objectives of the Council are the organization of a regular exchange of experience between producers' associations, harmonization of their actions, mobilization of support for any given association, and the identification of common measures to control activities of transnational corporations. The Conference also had before it a draft statute for the treatment of foreign investment, transnational corporations, and the transfer of technology. See Lima document NAC/FM/CONF.5/5. The statute was passed on to governments so that they "may be possibly inspired" by it in their national policies. The Lima Conference also established a Committee of Experts to promote cooperation among developing countries in the field of science and technology.

¹³ The first of these steps led to the Washington Conference, held in February 1974; the

Because of their greater dependence on raw materials imports, Europe and Japan wanted to avoid a confrontation with OPEC.¹⁴ They opposed attempts at organizing a meeting with oil importing developing countries on the grounds that it might be construed as being confrontational. They sought instead to engage the oil exporting countries in discussions on access to markets and investment. France saw the American initiative as another attempt by the United States to reassert domination over Western Europe, not unlike the ill-fated proposal for a new Atlantic Charter of April 1973. Thus France countered the American initiative with the proposal that Community foreign ministers meet with their Arab counterparts to work out a regional long-term arrangement. More important, France proposed to the Secretary-General of the United Nations (in a letter sent in mid-January 1974) that a conference on energy be “urgently” convened under the auspices of the UN.¹⁵ Thus, France globalized consumer country oil diplomacy in an attempt to remove it from its Atlantic context and, thereby, triggered the Sixth Special Session of the General Assembly. For at this point Algeria—Chairman of the Non-Aligned for the period of 1973–1976, and a radical member of OPEC—responded. In an attempt to counter the American initiative and to neutralize the French initiative for a UN conference on *energy*, Algeria requested a Special Session of the UN General Assembly on the subject of *raw materials and development*. At the Washington Conference a month later, the Europeans insisted that this session be “welcomed.” It became the Sixth Special Session of the General Assembly, held in March-April of 1974.

The United States had first advocated a consumer-producer meeting to discuss oil prices, but only once the collective efforts by consumer countries were in place. In late 1974, however, France again preempted the US by calling for a Paris meeting of consumers, producers, *and* developing countries, which would *not* be limited to the price of oil. The Community leaders backed the French proposal, as did the producer countries and the United States.¹⁶ An OPEC ministerial session in

second never materialized; the third resulted in the creation of the International Energy Agency and related financial measures; and the fourth became the Paris meeting of April 1975.

¹⁴ It should also be recalled that the boom in commodity prices in 1973 was widely interpreted as signifying general commodity shortages. Some of the symptoms of shortages turned out to be purely cyclical while others, such as energy and food, represented long-term problems. Hollis B. Chenery, “Restructuring the World Economy,” *Foreign Affairs*, 53 (January 1975): 242–63.

¹⁵ The purpose of the Conference, the letter stated, would be to assess the current situation concerning world energy problems, and to arrive at general principles and practical modalities of cooperation on energy matters. However, the French avoided using language that would have required the Secretary-General of the UN or the President of ECOSOC to act under the rules of procedure on their request. It is, therefore, difficult to say how serious France was about such a conference. Informal consultations were held, exploring various procedures that were possible, but no formal action was taken in response to the letter.

¹⁶ The United States agreed only on the condition that such a meeting be preceded by an “intensive” preparatory process. A compromise was worked out with France at the Martinique summit, and the Paris meeting became the “preparatory meeting for the international conference proposed by the President of France.”

Algeria, in January 1975, accepted the French proposal. It also extended certain measures beneficial to the European countries (credit arrangements, delayed payments), and reaffirmed prior commitments to developing countries, including increases in development assistance, and building of fertilizer plants to supply three-fourths of their needs. The meeting froze the price of oil for the first nine months of 1975—purportedly to give consumer countries time to negotiate. In Dakar, in February 1975, representatives of the developing countries expressed their support for the actions of OPEC. They decided that their own position at Paris would be based on an integrated approach to the entire package of monetary, trade, financing, and science and technology concerns. A preparatory committee of developing countries, including OPEC members, subsequently met to work out their common position.

The Paris preparatory meeting ended in complete stalemate on the issue of what the subject matter of the full conference should be. OPEC, represented by Saudi Arabia, Iran, Algeria, and Venezuela, came prepared, as its Secretary-General put it, to “look at the whole structure,” including the international monetary system, terms of trade, commodity agreements for price stabilization, transfer of technology, indexation—the entire New International Economic Order package that had been evolving.¹⁷ The oil-importing members of the Group of 77 began by complaining about the impact of increased oil prices on them. In its opening remarks Brazil indicated that forty percent of its export earnings in 1974 had gone toward financing the increase in oil prices; India stated that eighty percent of its export earnings had been so consumed; Zaire added that it would be “utopian” to consider all raw materials at one conference, that discussions should be limited to two or three in addition to oil. However, they then proceeded to assume a joint position with OPEC.¹⁸ The European Community arrived with instructions to discuss energy and related matters. It seemed that their definition of “related matters” was sufficiently broad to include some aspects of development cooperation and financial problems. But EEC preparations for the meeting had apparently been conducted principally by energy experts, and the political demands of the Third World had not been fully anticipated. EEC negotiators could not change their position quickly enough for agreement to be reached.¹⁹ The United States was prepared to discuss energy and energy-related problems only. Yet, at the opening of the session the US indicated that it might be willing to consider new ways of dealing with both commodity price volatility and

¹⁷ Interview with the Secretary-General of OPEC, as reported in the *New York Times*, April 7, 1975. An OPEC summit immediately preceded the Paris meeting; in a declaration issued at its close it was stated that, in return for guarantees and commitments OPEC was prepared to make on matter of oil, the developed countries would have to make major commitments to developing countries. In this connection, they emphasized the need for full implementation of the Programme of Action adopted by the Sixth Special Session (see UN document E/AC.62/5).

¹⁸ *Le Monde*, April 9-10, 1975.

¹⁹ The policy of the European Community toward the developing countries has been under review for some time as exemplified by the Lomé Convention, which accepts in principle and practice several objectives long pursued by the Third World (see the article by Isebill Gruhn in

income stabilization for developing countries. *Not* at Paris, however: "We recognize the need for imaginative new initiatives in this area and are indeed prepared to discuss these other issues elsewhere in appropriate forums."²⁰

Thus, the Paris meeting ended with the coalition between OPEC and the developing countries maintained. For the developing countries, the link between the issues of oil and new international order considerations was firmly established. And in the developed countries, attitudes were moving in the same direction. The prevailing reaction to Paris in the industrial countries was summed up by the *New York Times* in an editorial: "The rich, developed countries will have to demonstrate that they are at least as willing as the oil producers to further the needs of the poor countries for both stability and development."²¹ Their first opportunity to demonstrate that willingness was at the Seventh Special Session.

II The Seventh Special Session

At the Paris meeting, the industrial countries had tacitly acknowledged the link between oil and other raw materials—even commodities in general. But they were not yet prepared to discuss international arrangements for them as a package—let alone address the entire set of proposals for a new international economic order in the process. The European Community had wavered at Paris, but the United States remained firm. However, within a month Secretary Kissinger announced a major shift in the attitude of the United States. He had concluded from the failure of the meeting that "the dialogue between the producers and consumers will not progress unless it is broadened to include the general issue of the relationship between developing and developed countries."²² Thus, the Seventh Special Session became a forum within which such progress might potentially be made.

this issue). But apparently the Paris meeting was not initially viewed in the context of this policy review and reformulation. For a highly critical account of EEC preparations for the Paris meeting, see *Die Zeit*, April 18, 1975.

²⁰ Statement by Charles W. Robinson, head of the American delegation, as cited in the *New York Times*, April 8, 1975. Privately, American delegates were reported as saying that the Lomé Convention was being scrutinized for new ideas in formulating American approaches to the effects of commodity price instability.

²¹ April 21, 1975.

²² *New York Times* May 29, 1975. The reasons for the US shift are undoubtedly diverse, but a critical factor seems to have been the Paris meeting. As put by Thomas Enders, Assistant Secretary of State and the American envoy to the last-minute negotiations at the Seventh Special Session, "The turning point for US policy came early this year, when it became clear that the conservative members of OPEC were going to join the radical ones in bidding for the political leadership of the Third World." Cited in Richard S. Frank, "Economic Report: U.S. Takes Steps to Meet Demands of Third World Nations," *National Journal Reports* (Oct. 25, 1975): 1480–89; the citation is on p. 1481. Although it contains several inaccuracies, this is a useful first cut at the domestic bureaucratic politics involved in the US shift.

It should also be pointed out that the United States had been conducting a review of its commodities policy since earlier in the year—this in the context of other negotiations, including those in UNCTAD, and in view of the volatility of commodities markets in the year or two preceding. The Lomé Convention was a contributing factor to this review as well; in addition, it

The political importance of the Special Session for the Western industrial countries was indicated at an OECD meeting in the Summer of 1975.²³ The recurrent themes of these discussions were that confrontation was to be avoided at all cost, the Special Session must be a success, and the structure of international economic relations as it affects developing countries could and must be improved. With the exception of Japan and the Federal Republic of Germany, expressions of commitment to the last of these themes varied only in intensity. The United States expressed caution but saw that improvements in the existing order were possible; Italy urged the industrial countries to cease fighting "rear-guard battles," and take the initiative themselves; France saw certain fundamental changes as being inevitable, and suggested that the industrial countries willingly undertake them sooner rather than being forced into them later; the United Kingdom said the industrial countries were "desperately anxious" to see the Special Session a success; and the Netherlands, Norway, Sweden, and New Zealand recommended that negotiations at the Session be premised on the concept of "The New International Economic Order." The Chairman concluded that wide agreement existed on the need to begin a process of improving international economic relations. He stated that the participants seemed to share the view that the Seventh Special Session occupied an important position, if it was not a "cross-roads" in the evolution of International economic relations.

The agenda

Negotiations on the agenda for the Session proceeded in a Preparatory Committee and, in the Summer of 1975, in ECOSOC. Some of the objectives the Non-Aligned had in mind when they originally called for the Session had already been achieved: development issues had certainly been "highlighted" and the basic thrust of development policy was being redefined. Institutional matters were not yet at the point at which decisions could be taken: restructuring the United Nations' economic and social apparatus would have to await further intergovernmental debates. Objectives certain countries, such as Sweden, might have entertained were still too abstract and politically sensitive: no one seriously expected the Session to consider such issues as alternative patterns of economic growth and development in the context of the human environment and attending domestic socio-economic reforms.²⁴

may also have influenced the shift in US policy evidenced at Paris. The importance of Lomé in the context of the US policy review lies in the long-standing differences between the US and the EEC over the previous association agreements which Lomé replaced and went far beyond.

²³ Based on reports of a meeting of the Development Assistance Committee, Organization for Economic Co-operation and Development, 30 June and 1 July 1975. Similar discussions had taken place at and subsequent to a Commonwealth Heads of Government Meeting, held in Kingston, in May 1975.

²⁴ A broader range of issues was included in the UN Secretary-General's report, prepared in response to General Assembly resolution 3343 (XXIX), and submitted to the Preparatory Committee for the Seventh Special Session (UN document E/AC.62/8). A comprehensive set of

The list of possible items for deliberation was further narrowed, and made acceptable to the industrial countries, by significant tactical concessions on the part of the Group of 77 during the preparatory process. There were several such concessions. Sensing the recent shifts in attitude among the industrial countries, but being fully aware that certain issues would, if raised, again generate irresolvable differences and preoccupy debate, the more moderate New York faction within the Group prevailed over the more militant approach advocated by Geneva, and the 77 indicated that they would omit these issues from their proposals. Thus, permanent sovereignty over natural resources, producers' associations, and control over multinational corporations did not figure in their working paper.²⁵ Second, within the areas the 77 proposed for the agenda, they concentrated on a select number of priority items. Agreement on the agenda and the formulation of national positions were thereby facilitated. Third, following a request by the US, the 77 agreed that the agenda be broadened to include the item of food and agriculture.²⁶ Fourth, an understanding was reached in ECOSOC that the Session would be "political" in nature—that is, that it would be neither declaratory nor technical, but would focus on broad policy guidelines and be parameter-defining. Specialized and technical bodies would be responsible for negotiating more detailed agreements and implementation.

All of this was of considerable import. To the industrial countries, especially the United States, it signalled that the Session would not be all-embracing, as they had feared. It further indicated that specific details of proposals would not have to be negotiated in this meeting. And it indicated that the 77 was as anxious for a successful outcome of the Session as the industrial countries apparently had become.

Thus, ECOSOC decided that the provisional agenda for the Seventh Special Session include six major areas of concern: international trade, transfer of real

recommendations of what the Seventh Special Session might have done had it concerned itself with a wider spectrum of issues is contained in "What Now—Another Development," *Development Dialogue*, September 1975, published by the Dag Hammarskjöld Foundation, Uppsala, Sweden, partially funded by the UN Environment Programme as its contribution to the Seventh Special Session. This exercise was directly linked to the Cocoyoc Declaration, adopted by the UNEP/UNCTAD symposium on "Patterns of Resource Use, Environment and Development Strategies," reproduced in J.G. Ruggie and E.B. Haas (eds.), *International Responses to Technology*, published as a special issue of *International Organization*, 29-3 (Summer 1975): 893-901.

²⁵ The original position paper of the 77 appeared on 18 July. It is contained in UN document E/5749. It was later somewhat modified to take into account the results of consultations. The version discussed at the Session is a conference room paper, which is not a public document.

²⁶ This was an important gesture by the 77. The US sought the inclusion of the item for its own domestic reasons, in the context of the preparations for the Special Session. The 77 felt that there was no need to put the item on the agenda, because the Rome Food Conference had done all that was possible at the present time. They also feared that the item might detract attention from other issues. Lastly, because of the generally favorable and forthcoming attitude of the US on food and agriculture, the 77 feared that giving an opening to the US to be positive in this area would correspondingly reduce the need and pressure for it to come forth with commitments and concessions in other issue-areas.

resources and international monetary reform, science and technology, industrialization, food and agriculture, and restructuring of the economic and social sectors of the United Nations system.

The format of negotiations²⁷

Plenary statements allowed countries to expound their views and address questions of special interest to them. The real work of the Assembly went on in small contact groups. The 77 negotiated through single spokesmen. On the other side of the table were the US, EEC, and Japan, and Sweden on behalf of Nordic countries, as well as Australia, Canada, and New Zealand.²⁸ The socialist countries of Eastern Europe met separately with the 77, as did China; however, these meetings were not part of the main negotiations, and relations between industrialized socialist states and the 77 were barely touched upon during the Session.

Negotiations proceeded on the basis of the working paper submitted by the Group of 77. The developed countries responded with amendments or alternative texts. The EEC came prepared with a comprehensive response to the 77 paper.²⁹ But it was upstaged by the US which, as the negotiations were getting off the ground, produced a working paper that paralleled the text of the 77 paragraph by paragraph. Where the language of the 77 was acceptable the US simply reproduced it verbatim. The subsequent interplay between the 77 and US texts became the central element of the negotiations. In its efforts to be accommodating, the US included wording in several instances that went beyond its actual position and which it eventually had to retract.³⁰

²⁷ We are aware of the meaning that has been usually attached in UN development diplomacy to the term "negotiations": to denote processes that result in binding agreements among states. Deliberations, debate, dialogue, and other terms have been often used for processes that result in resolutions and recommendations of a non-binding nature, such as those arrived at by the Seventh Special Session. (For the long-standing controversy in UNCTAD over the meaning of "negotiations," see Gosovic; pp. 225–34; also Cordovez.) We prefer to use the term "negotiations" in its everyday meaning. Furthermore, due to the emergence of the degree of counter-vailing power on the part of developing countries, as discussed above, one is probably justified in using the term even in its narrow sense, because the outcomes are beginning to carry an implicit commitment to act.

²⁸ The plenary statements are found in A/PV. 2326–2349. The Ad Hoc Committee of the plenary immediately dissolved into private negotiations, which took place in three small contact groups: one on trade, the second on finance and monetary issues, and the third on science and technology, industrialization, food and agriculture, and restructuring of the UN.

²⁹ For the original EEC working paper, see UN document A/AC.176/2. It was later expanded. (Note that in one of the contact groups a representative of the Commission negotiated on behalf of the EEC.)

³⁰ Following the Kissinger speech (see UN document A/PV.2327), a large team of specialists labored through the weekend on preparation of the US position paper. It is not a public document. The paper was a fusion of points made in the Kissinger speech and also included amended or accepted parts of the 77 proposals. The US paper contained such wording as: "Arrangements should be agreed upon to improve the economic condition of commodity-producing countries, especially developing countries, to insulate them from the adverse effects of inflation. . . ." This wording, possibly drawn up in haste, and unaware of the meaning it had

The form of the negotiations was quite complex, although, in basic structure, it was essentially that of the group system of UNCTAD. The developed countries did not negotiate as a single group, but did meet jointly with the 77. The European Community negotiated as one, but their common position reflected an extremely uneasy compromise requiring considerable efforts to maintain. Within the Group of 77, few if any regional meetings were held. Differences not related to region were evident. Two sub-groups existed—the “moderates” and the “militants”—and there were also differences of view on specific measures. On the more important issues in the deliberations, it happened that representatives coming from OPEC countries spoke for the 77. Apparently non-oil exporting developing countries at times felt that their representatives were acting more on behalf of OPEC than for them.³¹ OPEC itself was not fully unified either. Yet the group system of negotiating seemed to work, due to the greater element of reciprocity that the events preceding the Session had indicated to the participants. On this basis, positive expectations about the fruitfulness of the negotiations were maintained.³²

The positions and the outcome

During the Session, cooperation among developing countries was added to the agenda, upon a request by the Lima Non-Aligned Conference. It was basically non-controversial and was not negotiated as such. Its importance lay in stressing the self-reliance efforts of developing countries and in requesting that suitable institutional arrangements be made within the UN system to support these efforts. The question of restructuring the UN system in economic and social sectors was entrusted to an ad hoc committee of the whole, which is to report to the 31st session of the General Assembly in the Autumn of 1976.³³ Because of the work of the Rome Food Conference and the Lima UNIDO Conference, the issues of food and agriculture, as well as industrialization, had been extensively debated and decisions taken only a short time before the Special Session; they were not

acquired in UNCTAD circles, was later withdrawn, having raised the hopes of some that the US had made a major departure in its policy towards accepting the concept of “indexation.” In its preambular parts, the US paper also recalled the Declaration and Programme of Action for the New International Economic Order, and the Charter of Economic Rights and Duties of States, and reaffirmed the “large objectives” contained therein.

³¹ The chief spokesman for the 77 on trade was the Venezuelan Minister of International Economic Affairs, Manuel Pérez Guerrero, who had formerly been Secretary-General of UNCTAD; on finance the 77 were led by an Iranian member of the Board of Governors of the IMF and World Bank.

³² The words in the closing speech by Moynihan that “the system works” are reflective of a more positive attitude by the US. This speech stands in contrast to the speeches by George Ball at the close of UNCTAD I in 1964 and John Scali at the close of the Sixth Special Session in 1974. The mechanisms of the system were more or less the same then as at the Seventh Special Session.

³³ The Committee is to take into account in its work, among other things, the report of the group of experts on restructuring, entitled “A New United Nations Structure for Global Economic Co-operation,” E/AC.62/9 (UN publications Sales No. E.75II.A.7).

therefore the major preoccupations of the participants.³⁴ That left trade, finance and monetary issues, and science and technology for intensive negotiations. In the paragraphs that follow, we examine these three in some detail. We attempt to illustrate the general positions countries can be expected to advance as this set of negotiations continues.³⁵

Certain aspects of trade, finance and monetary issues, and to a lesser extent of science and technology, proved to be difficult. These are *the* major issues in international economic relations, involving immediate costs and benefits and, therefore, negotiations about them can be expected to be tough. Further, all participants realized that decisions taken at the Special Session would of course influence deliberations at the Paris meetings of raw materials producers and consumers, now called the Conference on International Economic Cooperation, at UNCTAD IV, at the Multilateral Trade Negotiations in the current GATT round, and at future IMF and World Bank meetings. Most critically, there were serious and systematic differences in objectives and in instrumental approaches on the part of developed and developing countries.

In general, these differences concerned the extent to which countries were willing to commit themselves to specific structural changes in the international economy, and the extent to which market forces would be manipulated and even controlled by governments in order to realize such changes. The 77 argued for explicit commitments to improving the terms of trade of developing countries, stabilizing and increasing their export earnings, preserving and increasing their purchasing power and increasing their share in world industrial output and trade. They also urged more automatic transfers of real resources, and binding targets for development assistance and investment in research and development of technologies suited to their needs. The instrumentalities suggested for the realization of these

³⁴ On industrialization, the 77 attempted to elicit greater acceptance by the developed countries of the UNIDO Lima Declaration and Programme of Action. This issue, and the question of redeployment of industries, took most of the time in the debate. In connection with the latter question, the US maintained that redeployment of industries is "a matter of the evolution of economies rather than a question of international policy or negotiation" (UN document A/10232). The Session did establish an intergovernmental committee to draw up a constitution for UNIDO as a specialized agency; the draft constitution is to be submitted to a conference of plenipotentiaries in late 1976.

On the question of food and agriculture, the negotiations went smoothly and the agreed-upon text was arrived at in a matter of hours. The main operational outcome was a decision to enable the International Fund for Agricultural Development to come into being by the end of 1975, through an initial contribution by developed countries and oil-exporting developing countries in the amount of 1 billion SDRs. The main issue of contention in this particular set of negotiations were between the US and the 77 on one side, and the EEC and Japan on the other. It related to the estimated required size of world food grain reserves, in the context of the International Undertaking on World Food Security. The EEC and Japan objected to explicitly mentioning the figures the US advanced.

³⁵ For the results of the Seventh Special Session, see UN document A/10232; it contains the resolution adopted (3362[S-VII]) and the closing statements in the Ad Hoc Committee at which time the developed countries voiced several reservations regarding the agreed-upon text.

objectives were of a comprehensive, regulatory character, manipulating and largely superseding free market mechanisms. The Group of 77 seeks a structural transformation of the international economy. The United States, the European Community in its common position, and Japan were unwilling to accept specific structural changes of this sort, and argued that as governments they were unable directly to manipulate and change such factors as terms of trade, purchasing power, shares in world industrial output, and R & D investment decisions, because these are the result of an infinite number of private sector decisions and actions and lie beyond political and legal power of governments in market economy countries. These countries recommended incremental and compensatory measures that, they argued, might have the *consequence* of changing such factors at some future point, by improving the ability of developing countries to compete in the international market place.

The United States, in its major initiative at the outset of the Session, expressed reasonable satisfaction with the existing order of things while recognizing that the market-oriented international economy needs to be adapted to new circumstances. These new circumstances, it was indirectly acknowledged, include the reality of Third World countries' capability to create instability and uncertainty in economic relations. The approach of the US stressed the virtues of the market system as an efficient allocator of wealth, sought to enhance the role of private capital in the development process in the Third World, and made it clear that fundamental improvement in the Third World was in the main dependent upon the health and continued growth of the industrial economies. The US still hopes to break apart the 77 coalition, and thinks this possible by pursuing resource-specific approaches and by seeking, whenever possible, to institutionalize differential treatment for developing countries at different levels of development. In sum, the adaptations to the existing order proposed by the US are designed to preserve the essential characteristics of the post-World War II economic system, not alter them.

The European Community in its common position expressed fewer difficulties than the US with market intervention and with comprehensive planning measures as instruments for international economic organization. However, in terms of specific commitments to specific redistributive targets and structural changes, its position did not differ significantly from that of the US.

In contrast, the Scandinavian countries and, to a lesser extent, Australia and New Zealand, were generally quite close to the 77, although they often disagreed with the 77 on particular instrumentalities.

These systematic differences were vividly expressed in negotiations over certain aspects of trade, finance, and science and technology. On trade, for example, the 77 proposed that raw materials and commodity markets be *regulated* in accordance with the *integrated program* prepared by UNCTAD.³⁶ This would

³⁶ UNCTAD document TD/B/C.1/193 summarizes work done on the elaboration of an integrated program for commodities. Details are contained in documents TD/B/C.1/194–197. Note that indexation has been treated as a separate issue, so as not to endanger the total

include a negotiated range of prices rather than market prices, maintained by a series of related measures, including stocking, longer-term price and supply contracts, and the like. The Scandinavian countries, Australia and New Zealand expressed no basic problem with this. The European Community was willing to accept stabilization of price fluctuations but not the regulation of commodity prices per se. The Community did not rule out any form of market intervention by definition, but was not prepared to commit itself to any specific instrument in advance. The United States was willing to accept the stabilization of overall export earnings but not of prices. To accomplish this, the US proposed an export earnings stabilization scheme called the Development Security Facility.³⁷ With regard to instruments of possible market intervention, the US argued for the creation of consumer-producer forums for each major commodity, but would not accept specification of their terms of reference in advance. As a general rule, however, whatever means of intervention might be necessary in a specific instance would have to be compatible with market forces, not interfere with them. The outcome of this particular set of discussions was a series of verbal compromises that put the issues off to future negotiations.

Similar differences emerged on the long-standing issues of the extent to which the concept of a liberal trading order, as embodied in GATT rules, should be modified in favor of developing countries. The 77 argued for an *institutionalized* special status, including preferential and non-reciprocal access of their exports to the markets of the advanced countries as a permanent rule. They also sought an improved General Scheme of Preferences as a permanent feature of the international trading system. The US, the Community, and Japan resisted these as attempts to influence the Multilateral Trade Negotiations and refused to go beyond the Tokyo Declaration of 1973. They, however, raised the need for security of raw materials supplies as an objective they seek through the MTN, implying a possible *quid pro quo*.

package. Yet the integrated program aims at the maintenance and improvement of *real* prices, and therefore implies at least indirect indexation.

³⁷ This was the main and the most publicized proposal of the US at the Session. The facility is intended to replace the existing Compensatory Financing Facility of the IMF. For details, see the speech by Kissinger in UN document A/PV. 2327. Note that Sweden also presented a proposal for a global system of export earnings stabilization. It goes considerably beyond the US proposal. The Swedish proposal is essentially based on the STABEX model of the Lomé Convention and on the features of the UNCTAD supplementary financing scheme. Sweden proposed that its scheme, characterized by a high degree of automaticity, should be administered in the UN system, "where all member countries have equal possibility of participating in the decision-making process." See UN document A/AC.176/4. Finally, note that improvements in compensatory financing arrangements are being discussed in UNCTAD as a part of the integrated program for commodities. The UNCTAD proposals and the US-proposed scheme bear comparison. A fundamental point of difference is that in the UNCTAD proposals, the real, not nominal, value of exports is advanced for calculating export shortfalls. It is also proposed that a country's drawings not be limited by the size of its IMF quota, or by balance of payments criteria. See UNCTAD document TD/B/C.1/195.

In finance, proposed automatic resource transfers through an SDR-development assistance link, implementation of target amounts and dates for development assistance, and the call for multilateral negotiations on a set of rules guiding solutions to debt problems of developing countries were similarly received by the major industrial countries. Here the US offered a set of counter-proposals, centering on a much enhanced role for private investment, under international guarantees, in the development financing process.

In science and technology, the proposals of the 77 were aimed at changing the character of international technology transfer and patent systems, making them more responsive to development objectives. The proposals sought preferential access to science and technology of industrialized countries, and support for the development of suitable indigenous technologies. These requests were often met with the argument that such matters are within the domain of private enterprise and not subject to control or direction by governments.

To further illustrate these general patterns, tables 1 through 3 present summaries of positions and decisions on aspects of trade, finance and money, and science and technology.

The immediate future

The Seventh Special Session was not intended to reach detailed agreements on specific policy measures. Rather, its role, as we noted above, was to discuss the parameters of future policy options and to establish broad guidelines for measures to be negotiated subsequently. Thus, its ultimate significance is as one component of and perhaps a threshold in a more encompassing and longer-term process. Its results will have to be judged on the basis of the outcome of sets of negotiation to which it was to give direction, and on the implementation of such agreements as are reached.

In brief, the proceedings at the Seventh Special Session indicate that although there is still no agreement between the rich and the poor countries on the substance of fundamental issues, there now exists an explicit commitment to negotiate. This commitment led to the optimism of participants at the Session; it indicated that, after a standstill of more than a decade, development diplomacy may be newly energized.

The fact that the game is now played by all, albeit reluctantly by some, does not tell us what the outcome is going to be. The results of the Session indicate that countries have *not* changed their positions on the economic objectives they pursue and the instrumentalities they prefer. But these preferences are now set in a different policy context, one that includes factors previously excluded. Thus, to cite one example, the US-proposed Development Security Facility grows out of, and is perfectly compatible with, a compensatory market-rational approach to economic management. But it *does* address itself to the question of stabilizing export earnings of developing countries. In short, the proceedings at the Session

Table I International trade

Major topics of negotiations	Group of 77	Developed countries	Resolution	Assessment
RAW MATERIAL & COMMODITY MARKETS	Arrangements to be made to: improve terms of trade of developing countries; stabilize and increase their export earnings; preserve and increase purchasing power of their exports; insulate them from adverse effects of inflation in developed countries.	Generally agree to stabilization of export earnings. However, major countries unprepared to accept the other three aims or the package of objectives as a whole. <i>US</i> : minimum interference with market forces, though one has to deal with consequences for development; oppose setting world prices or manipulating terms of trade; <i>EEC</i> : stresses limiting excessive price fluctuations and diversification of production and processing of raw materials; <i>Sweden</i> : stabilization of export earnings and pricing schemes not mutually exclusive; stresses the need to protect real export earnings; <i>Canada</i> : stabilization of earnings not substitute for stabilization of prices.	Concerted efforts to be made in favor of developing countries toward expanding and diversifying their trade, improving and diversifying their productive capacity, improving their productivity, and increasing their export earnings with a view to counteracting adverse effects of inflation—thereby sustaining real incomes—and with a view to improving their terms of trade.	Weak statement of general purpose and principle, reflecting disagreements which persist.

At UNCTAD IV reach agreement on an integrated program for commodities which represent large percentage of developing countries' export earnings, and on concrete measures to ensure its implementation, including:

- international stocking and market intervention arrangements to support prices at remunerative and just levels;
- Special International Fund for financing such arrangements;
- systems of multilateral long-term and medium-term contracts and commitments to ensure both supply and markets at fair and remunerative prices;
- substantially improve existing compensatory financing facilities.

US: not prepared to accept integrated approach; prefers commodity-by-commodity approach through producer-consumer fora without a centerpiece and policy guidelines. No special fund to finance stocking and market intervention arrangements. Agree to improve compensatory financing. Advances Development Security Facility as major tool to solve commodity market problems; *Japan*: feels adoption integrated program may delay solutions; *EEC*: accepts need for comprehensive approach, but not the integrated program of UNCTAD. Stress on stabilization of prices, improvement of compensatory financing facility; *Sweden, Australia, New Zealand, Canada*: generally sympathize with proposals of 77 and the integrated program, within which commodities would be treated individually; *Sweden and New Zealand*: propose that compensatory financing should cover shortfalls in real export earnings.

UNCTAD IV to reach decision on improvement of market structures in field of raw materials and commodities, including decisions on an integrated program and applicability of elements thereof, taking into account distinctive features of individual raw materials and commodities. Decisions to bear on appropriate international stocking arrangements, adequate international financing facilities for such arrangements, where possible promotion of long-term and medium-term contracts. Substantially improve facilities for compensatory financing. Secretary-General UNCTAD also present study on impact of integrated program on developing countries net importers of raw materials and commodities.

Issues and positions delineated and left for UNCTAD IV; timetable exists. Old differences continue as reflected in compromise wording and conditional phrases. But detailed negotiations yet to take place. One specific agreement to improve compensatory financing facilities.

The material in these tables is illustrative, selective, and summary, and cannot convey the complexities, subtleties, and nuances of the various positions and decisions. It is based on the working papers and amendments submitted for negotiating purposes by the Group of 77, the EEC, the United States, and by some of the other developed countries; on the resolution adopted by the 7th Special Session; and on the negotiations which took place at the Session. If there are forms of expression in the tables (especially in the columns "Group of 77" and "Resolution") that appear awkward, it is because they were used, intentionally or otherwise, by the actors concerned.

Table I (continued)

<i>Major topics of negotiations</i>	<i>Group of 77</i>	<i>Developed countries</i>	<i>Resolution</i>	<i>Assessment</i>
RAW MATERIAL & COMMODITY MARKETS (continued)	Within an integrated program arrangements to be made to improve terms of trade of developing countries and insulate them from adverse effects of inflation in developed countries. To this end a number of options for indexation to be studied on priority basis. UNCTAD Secretary-General to study direct and indirect indexation schemes and make concrete proposals before UNCTAD IV.	All have significant reservations regarding the instrument of indexation. Doubt feasibility. Feel many other possible approaches exist which could achieve same ends more efficiently. Nonetheless, agree that studies on indexation be made for UNCTAD IV. <i>US</i> argued that indexation would suspend the market mechanism and that it would stimulate worldwide inflation.	A number of options open to the international community to preserve the purchasing power of developing countries. These need to be studied on a priority basis. Secretary-General of UNCTAD to study direct and indirect indexation schemes and other options and make concrete proposals at UNCTAD IV.	This highly controversial issue in fact glossed over by the Special Session and returned to UNCTAD. By UNCTAD IV on basis of studies governments in a better position to judge indexation and substantive discussion likely on both the principle involved and instrumentalities.

ACCESS TO
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Developed countries to take effective steps to remove tariff and non-tariff barriers on a preferential and non-reciprocal basis on products of export interest to developing countries.

Major countries generally express difficulties with the principle of removal of trade barriers on a preferential and non-reciprocal basis. Feel these are matters that will be taken into account at Multilateral Trade Negotiations in GATT, which is appropriate forum for removal of trade barriers.

Developed countries should take effective steps within the Multilateral Trade Negotiations for the reduction or removal, where feasible and appropriate, of non-tariff barriers on a differential and more favorable basis for developing countries.

Two-decades-old differences of view continue regarding the principle of preferential access and non-reciprocity and the role of GATT; the compromise wording is a reflection of this.

Generalized Scheme of Preferences to be recognized as permanent feature of international trading system and improved to include all products of interest to developing countries, at zero rates of duty and without quotas or ceilings or any other non-tariff barriers.

Agree GSP should be continued beyond 1980 and improved, but major countries have problems with extended coverage, especially to processed and semi-processed commodities.

GSP should not terminate at the end of 10-year period originally envisaged and should be continuously improved through wider coverage, deeper cuts and other measures.

Decision to extend duration of GSP brings little new as EEC had previously decided to extend its scheme, and US scheme is for 10 years beginning 1976. While improvement of GSP through subsequent negotiations possible, it is unlikely that developing countries' proposals will be met fully in view of continuing obstacles in industrialized countries.

Table I (continued)

<i>Major topics of negotiations</i>	<i>Group of 77</i>	<i>Developed countries</i>	<i>Resolution</i>	<i>Assessment</i>
ACCESS TO MARKETS (continued)	Developing countries have a right to use export incentives to improve competitiveness of their manufactured exports; developed countries should not apply countervailing import duties on such products and should recognize need for a preferential treatment for former in any new set of rules on subsidies.	Generally feel that MTNs in GATT should take into account particular situations and overall needs of developing countries regarding export incentives and subsidies. However, not prepared to renounce the right to levy countervailing duties or to accept the principle advanced by the developing countries.	Developed countries should exercise maximum restraint, within framework of international obligations, in imposition of countervailing duties on the imports of products from developing countries. And in this context the MTNs should take into account particular interests of developing countries with a view to providing them a differential and favorable treatment in appropriate cases.	Disagreement on matter of principle persists. Important issue for diversification of exports of developing countries, which likely to play significant role in UNCTAD and GATT negotiations.

In Multilateral Trade Negotiations priority should be given, through special procedures for negotiations between developed and developing countries, to the elimination of barriers of all kinds to the exports of developing countries, on a preferential and non-reciprocal basis, to the maintenance and improvement of GSP, and to the granting of preferential treatment in all the different areas of the negotiations so as to ensure net additional benefits for the international trade of developing countries.

Generally not prepared to go beyond Tokyo Declaration of 1973. Developing countries' problems to be taken care of within existing approach and procedures of Multilateral Trade Negotiations. *US*: feels supply access commitments should be negotiated as part of reciprocal exchange of concessions by all major trading partners.

No direct reference made to MTNs and to the procedures guiding these negotiations.

No consensus on the need to orient MTNs more to Third World problems and needs than had been envisaged by the 1973 Tokyo Declaration. The issue will be pursued in UNCTAD and GAIT, and will become very salient once existing stalemate in MTNs is overcome.

Table II Transfer of real resources and international reform

<i>Major topics of negotiations</i>	<i>Group of 77</i>	<i>Developed countries</i>	<i>Resolution</i>	<i>Assessment</i>
TARGETS, FLOWS, AND TERMS OF DEVELOPMENT ASSISTANCE	<p>Developed countries should undertake effective measures to implement development assistance targets—i.e., 1% GNP before the end of decade, 0.7% ODA by 1978. Targets to be calculated net of reverse flows—i.e., interest payments and amortization, as well as profit remittances in case of 1% target. Concessional finance flows to be increased substantially; as a matter of principle financial assistance to be untied. International organizations to enhance real value and volume of development assistance.</p>	<p>Generally cannot accept dates for fulfilling targets; do not agree on reverse flows being taken into account; as much as possible ODA to be untied, <i>US</i>: expresses reservation on targets; feels targets unlikely to achieve intended results. Places particular stress on private capital role; IFC capital to be quadrupled; international investment guarantee private investment in Third World to be established. ODA mainly for poorest developing countries; <i>Sweden, New Zealand</i>: agree with proposals of 77.</p>	<p>Developed countries confirm continued commitment to targets and accept common aim to achieve targets by end of decade; those developed countries which have not yet made commitment will undertake best efforts to reach targets during this decade. Agreement to increase substantially capital of World Bank Group, funds of regional development banks, resources of UNDP. Concessional financial resources need to be increased substantially; financial assistance as a general rule to be untied. Consideration to be given to international investment trust, and expansion of IFC capital without prejudice to increase resources of other institutions and bilateral assistance flows.</p>	<p>Issue of target implementation remains unchanged; no agreement on upgrading targets by including reverse flows into calculus. Decision to increase resources of multilateral institutions important; however, these flows mainly on market terms and not concessional.</p>

DEBT PROBLEMS OF DEVELOPING COUNTRIES

United Nations to convene a conference of major debtor, creditor, and donor nations in 1976 to devise ways and means to mitigate debt burden of developing countries, taking into account their development needs, with special attention to most seriously affected countries.

US: stress on case-by-case consideration and on the need to maintain credit worthiness; debt relief not to be used as a vehicle to alleviate transient balance of payments problems, for which it proposes Development Security Facility; EEC: seek suitable means on a case-by-case basis; *New Zealand, Sweden*: welcome conference proposed by 77.

UNCTAD IV to consider need for and possibility of convening as soon as possible a conference to devise ways and means to mitigate the debt burden, taking into account the development needs of developing countries.

Matter postponed for UNCTAD IV; strong disagreement on the approach dating back to UNCTAD III persists.

AUTOMATICITY OF RESOURCE TRANSFERS

Link between SDRs and development assistance to be established; early agreement on a trust fund within IMF; consideration of other automatic schemes, such as royalties from seabed mining, to be expedited in appropriate bodies.

US: cannot accept greater automaticity; does not support the link. Notes that Development Security Facility can fulfill many functions expected from the link. Also notes agreement reached in IMF on establishment of trust fund; *Japan, FRG*: link needs further study. *Other countries* generally support link; *Sweden*: suggests multi-year, long-term pledges essential component of automaticity.

The establishment of the link to form part of consideration by IMF at time of creation of new SDRs as and when they are created according to needs of international liquidity. Agreement on IMF trust fund to be reached at an early date. Consideration of other means of transfer which are predictable, assured, and continuous to be expedited in appropriate bodies.

Issue of the link postponed, but will arise at time of new SDRs creation. The decision that study of other schemes for automatic transfer is to be expedited is likely to give impetus to quest for automaticity of resource transfers.

Table II (continued)

<i>Major topics of negotiations</i>	<i>Group of 77</i>	<i>Developed countries</i>	<i>Resolution</i>	<i>Assessment</i>
INTERNATIONAL RESERVE CREATION	National reserve currencies gradually phased out and replaced by internationally created currency, like SDRs, so no country can influence international monetary situation through export of its deficits. In meantime, measures should be taken to maintain real value of currency reserves of developing countries by preventing their erosion due to inflation of prices and exchange rate depreciation of reserve currencies.	Generally feel that international monetary negotiations should proceed in IMF, taking into account needs of developing countries; not all favor SDRs as principal reserve. US speaks of Development Security Facility as coping with many related problems of developing countries.	Role of national reserve currencies should be reduced and SDRs should become central reserve asset, in order to provide for greater international control over creation and equitable distribution of liquidity, and to limit potential losses as consequence of exchange rate fluctuations.	Decision complements IMF negotiations. No agreement on need for measures to support developing countries during transitional period.

<p>DECISION MAKING IN INTERNATIONAL FINANCIAL INSTITUTIONS</p>	<p>Developing countries' participation in decision-making process of IMF and IBRD to be substantially increased and made more effective without adversely affecting their broad geographical representation.</p> <p>US: participation of developing countries has been appropriately increased; EEC: agree representation of developing countries should be substantially improved, but in accordance with existing and evolving rules.</p>	<p>Process of decision-making should be fair and responsive to new economic influence on part of developing countries. Their participation in decision-making process in competent organs of international finance should be adequately increased and made more effective without adversely affecting broad geographic representation of developing countries and in accordance with existing and evolving rules.</p>	<p>Verbal compromise reflects basic difference of view and conflict between old rules of these institutions and interests behind them, and new trends and requirements.</p>
<p>IMF FACILITIES</p>	<p>Liberalize compensatory financing facility (<i>inter alia</i>, coverage to include services, take into account movements in import prices, lengthen repayment period); liberalize buffer stock financing facility (<i>inter alia</i>, enable it to lend directly to buffer stocks, whether organized by producer-consumer groups, or producer groups alone).</p>	<p>Generally agree compensatory financing facility should be liberalized; also that buffer stock facility should not encumber other drawing rights. US: advances the development security facility proposal.</p>	<p>Important policy guidelines for improving and liberalizing existing IMF facilities of interest to developing countries.</p>

Table III Science and technology

Major topics of negotiations	Group of 77	Developed countries	Resolution	Assessment
SCIENCE AND TECHNOLOGY INFRASTRUCTURE IN DEVELOPING COUNTRIES	Developed countries to contribute to establishment of an industrial technological information bank; significantly expand direct support to science and technology programs in developing countries; increase the proportion of their R & D devoted to specific problems of primary interest to developing countries and in the creation of suitable indigenous technology, in accordance with targets to be agreed upon.	Generally in favor of technological information bank; US: proposes international center for exchange of technological information for sharing research findings relevant to developing countries. Also the creation of an international energy institute to assist developing countries in energy development. <i>All</i> agree in principle with need to significantly expand assistance but have serious difficulties with specific targets on proportion of their R & D devoted to problems of primary interest to developing countries.	Developed countries to contribute to establishment of an industrial technological information bank and consider possibility of regional and sectoral banks; consider establishment within UN system of international center for exchange of technological information and sharing of research findings relevant to developing countries. Developed countries to increase substantially the proportion of their R & D devoted to problems of primary interest to developing countries in accordance with feasible targets to be agreed upon; study to be made on establishment in UN framework of an international energy institute to assist developing countries in energy resources R & D.	Some institutional innovation forthcoming. Absence of specific and firm commitment to increase proportion of R & D devoted to problems of interest to developing countries; notion of targets watered down.

TRANSFER OF TECHNOLOGY FROM DEVELOPED TO DEVELOPING COUNTRIES

A legally binding international code of conduct for transfer of technology from developed to developing countries to be adopted not later than end 1977.

Against legally binding code; prefer guidelines, standards, norms. Feel impossible to have such legally binding code under existing system; being that technologies usually owned by private enterprise and institutions, limitations on what governments can do. Also feel such code would impede process of transfer. *EEC*: does not exclude possibility of legally binding code in future.

UNCTAD IV to reach decisions on international code of conduct for transfer of technology, including a decision on its legal character, with the objective of its adoption prior to the end of 1977.

Issue of code's legal character postponed. However, the ongoing negotiations on code of conduct in UNCTAD given support, which is significant in view of long-standing objection of some major countries to such code. Date for adoption not firmly fixed.

Table III (continued)

<i>Major topics of negotiations</i>	<i>Group of 77</i>	<i>Developed countries</i>	<i>Resolution</i>	<i>Assessment</i>
INTERNATIONAL CONVENTIONS ON PATENTS AND TRADEMARKS AND NATIONAL PATENTS SYSTEMS	National patents systems and international conventions on patents and trademarks to be revised to meet special needs of developing countries, so that they become more satisfactory instruments for aiding developing countries in transfer and development of technology.	Generally feel case for revision of patent systems premature; matter to be reviewed first, taking into account special needs of developing countries. <i>US</i> : stresses need of intellectual properties to be protected and rewarded if further intellectual investment to occur in areas of special importance to developing countries.	International conventions on patents and trademarks should be reviewed and revised, to meet, in particular, special needs of developing countries; national patent systems should without delay be brought into line with international patent system in its revised form.	Disagreement on need to revise patent systems continues. However, UNCTAD and WIPO work in this area given support.

ACCESS TO TECHNOLOGY FOR DEVELOPING COUNTRIES

Developed countries should facilitate access of developing countries on a preferential basis to information, to relevant information on advanced and other technologies. Developed countries should give free and full access to technologies whose transfer not subject to private decision.

All agree there is a need to improve access but have problems with preferential access. US: proposes to facilitate access on an "urgent basis"; EEC: "on fair, equitable and mutually acceptable conditions." Many point out that governments cannot interfere with private industry which develops technology. Also confidential nature of technology. Agree in principle to give access to technologies not subject to private decision, but indicate security and other internal factors may curtail access.

Developed countries should facilitate access of developing countries on favorable terms and conditions and on an urgent basis to information. They should facilitate and encourage private institutions in providing effective technologies in support of priorities of developing countries. Developed countries should give freest and fullest possible access to developing countries to technologies whose transfer is not subject to private decision.

A qualified statement, reflecting basic differences of view and disagreement on principle.

indicate that whatever future international economic order eventually emerges from the current set of debates will be the complex product of a protracted tension, of established positions and interests clashing within a new policy context. The occurrence of a new order is not guaranteed by the existence of a new context but, by the same token, neither will a new order of relations be prevented simply by the fact that opposition remains.

How lasting and effective a confluence of factors the Seventh Special Session reflected will be shown in the results of the Paris meetings, the Multilateral Trade Negotiations in GATT, the measures agreed to and undertaken in the IMF and in the World Bank, and at UNCTAD IV. If the present situation is indeed different, then UNCTAD IV in particular should indicate a departure from the norm established by previous UNCTAD encounters.

The outcome of these negotiations will depend both on the success of the strategy of the 77 and, even more so, on the balance of views within and among the industrialized countries.

The words and arguments of the 77 are backed today by a degree of bargaining power they did not previously possess. An institutional structure is emerging among the developing countries that may increase this power in the years to come. Developing countries will seek to take advantage of their potential for disrupting certain international economic flows and the finely tuned economies of the developed countries, as well as the availability of the autonomous financing capacity through OPEC. Because of this increased capacity to act upon some of their pronouncements, it is to be expected that the group of developing countries will be increasingly exposed to systematic efforts aimed at weakening its solidarity and unity of action. The Seventh Special Session may in fact have been indicative of one approach by the major developed countries to do just that: to offer such measures and make such gestures as are sufficient to engage the interest of at least the moderates within the Group of 77, without, at the same time, yielding to the more far-reaching demands of a structural character. An interesting compromise exists within the 77 on this very point, however. The so-called militant group within the 77 has agreed, for the time being, to go along with the tactics of the moderates, subject to an examination of the results it produces. The first formal test of the success of these tactics is to come in the form of a review of the implementation of the results of the Seventh Special Session by the General Assembly during its 1976 term.³⁸

As for the Western industrial countries, the more forthcoming US position has shifted the range of options in the direction of the 77 demands. Critical scrutiny of the structure of the international economy has been legitimized, and the issue now has become *how* not *whether* to deal with certain Third World demands. It remains to be seen how permanent a shift this is, especially in view of the fact that the US reiterated

³⁸ See General Assembly resolution 3506 (XXX), on the implementation of decisions adopted by the Seventh Special Session.

its opposition to the New International Economic Order.³⁹ It is clear that the US will attempt to deal with as many of these issues as possible outside the UN circuit in institutions in which it can exercise greater control;⁴⁰ Paris has been upgraded in stature accordingly. Moreover, it is clear that the US would prefer to limit decisions at Paris to those that cannot be taken in what it considers still more favorable fora; however, the US had more than one of its preferences deflected in the negotiations leading up to the Special Session. Finally, it is clear that there does not exist uniform support for this shift within the Administration, even on tactical grounds; yet it may become increasingly difficult for the US to revert to its pre-Seventh Session stance. Signals have been sent and have triggered a new international situation, and domestic coalitions may be firming around the new posture.

The future position of the US is critical. But the shift in the range of options has also made differences among the industrialized countries more important. Substantial differences of view exist within the European Community, which may be resolved in a new common position. For very different reasons, France, the United Kingdom, and especially the Netherlands, are willing and even anxious to go farther than current German policy has allowed the EEC to go. The Scandinavians, Australia, and New Zealand agree with the 77 on most of the core elements of their objectives, and Sweden (as well as Austria) went so far as to attend the Lima Non-Aligned Conference as observers. Canada has enunciated no clear position thus far but, in view of its own raw materials endowment, largely controlled by the United States, this too may change. Japan continues to echo the United States.

The positive atmosphere and moderate tone of the Seventh Special Session have apparently carried over into other fora, and the dialogue for the time being appears to be continuing on the basis of the ground covered at the Session.

While these negotiations proceed, two related, highly relevant, and closely interlinked processes will unfold: restructuring the UN system in its economic and social sectors, and revising the International Development Strategy. On the question of restructuring, it is difficult to see how an effort to improve the institutional

³⁹ At the end of the Session, the United States reiterated its position on the outcome of the Sixth Special Session, the Charter of Economic Rights and Duties of States, and the UNIDO Lima Declaration. The US representative stated that the United States "cannot and does not accept any implication that the world is now embarked on the establishment of something called the 'new international economic order'." UN document A/10232.

⁴⁰ In this connection we should also mention moves within the IMF and the IBRD such as the establishment of the Third Window, of the Joint Fund/World Bank Development Committee, and of the IMF Interim Committee on the International Monetary System, which were at least partly in response to some of the immediate concerns of the Group of 77. These moves were also inspired by the wish to divert issues from the UN and to diminish the importance of the Seventh Special Session. Note however that the 77 are trying to keep various ongoing processes linked to the UN; the Paris Conference, for example, is to report back to the General Assembly: see GA resolution 3515 (XXX).

structure of the UN in order to accommodate the changing international economic order can ignore the Bretton Woods institutions and GATT, which are not now formally covered by this exercise. The process of revising the Second Development Decade strategy serves as a preview of a qualitatively different development strategy that will emerge in the 1980s, based on an expanded concept of development, including general patterns of economic growth and development and the quality of life in all societies, developed and developing.

III Conclusion

Whatever the outcomes of this collage of deliberations, debates and negotiations, the international community is entering a new and distinctive period in its development. Several emerging structural features important for international organization stand out and should be mentioned.

First, the events we have here reviewed indicate the growing desire of countries to assert collective political authority over transnational economic forces. This is as true of the United States when it seeks guaranteed access to sources and supply of raw materials as it is for the Group of 77 when it proposes international planning measures to organize commodity markets; it is as true for the United States when it proposes international insurance for private foreign investment as it is for the Group of 77 when it seeks international preferential and non-reciprocal guarantees for a diversified industrial base in developing countries. In sum, there is now a less asymmetrically distributed sensitivity than existed in the past to ungoverned foreign economic intrusions. This is stimulating collective political measures that continue to chip away at the post-World War II liberal international economic order.

Second, the pattern of negotiations examined above is representative of an emerging mode of international decision making. If one compares the negotiations discussed above with the UN Conferences on the Environment, Population, Food, Law of the Sea, and the like, several interesting similarities are apparent. This collective decision-making mode is increasingly inter-sectoral, and no longer simply confined to the atomistic sector-by-sector approach to socio-economic issues of the past. Furthermore, since it is concerned with relationships among several sectors, this mode of decision making seems to put an incremental strategy at a disadvantage, as it necessitates the construction of more holistic perspectives and the formulation of broader policy bundles on the basis of which to calculate trade-offs. Moreover, this new decision-making mode tends to take place at an increasingly high political level, one at which general parameters for relations across sectors are defined and then left to technically competent bodies and individuals within each sector to operationalize. This type of international decision making is becoming increasingly institutionalized, in the sense that the same high-level representatives, from both developed and developing countries, often negotiate different agreements in different fora. A further element of institutionalization among the developing countries

in this context is that their representatives increasingly draw upon a growing network of common bureaus and secretariat bodies. In sum, the functionally-specific and technocratic system of international socio-economic decision making constructed after World War II is increasingly superseded by a more integrated and directly political mode. Substantive issue linkage is increasingly expressed in institutional terms and will be reflected in the restructuring of the United Nations system.

Third, the emergence of a more integrated and more directly political mode of international decision making does not imply that the consequences of decisions so made are necessarily "integrative," in the sense that this term is normally used by students of international integration. On the contrary, the consequence of such collective decision making may be to reduce a particular structure of interdependence and even integration in the international system, so as to allow for a greater degree of national flexibility and autonomy of policy determination. Thus, the two levels stand in a complementary relation: collective measures may enhance individual self-determination, but the desire for individual self-determination may require further collective measures.

Fourth and finally, it is of course the case that the current state of new international economic order negotiations reflects only one aspect of such an order, that concerning the politics and structure of economic relations between industrialized and developing countries. Domestic structural reforms and their relation to international economic changes have not been broached. Alternative models of economic growth and patterns of development in the context of the carrying capacity of the human environment are now only vague and relatively abstract concerns. But these issues—all intimately linked to the structure of the international economy—are becoming increasingly entangled and politicized. As they are, the international policy matrix will be further enlarged, new domestic constituencies not now influential will be brought into the international decision-making arena, and new possibilities for international conflict as well as for collaborative package dealing will be enhanced.

The Seventh Special Session, while determining the outcome of none of these, signalled the emergence of them all.