

October 3, 1984

THE U.N.'S ECONOMIC CREDO : THE WAY THE WORLD DOESN'T WORK

INTRODUCTION

As the 39th General Assembly of the United Nations gets down to business this month in Manhattan, its rhetoric and resolutions will flow in a well-worn path. When it addresses economic matters, the U.N. will be hostile to the free enterprise system and nearly ignore market economy successes throughout the world. The U.N.'s views on economics not only are predictable, they have become a kind of perverse credo--providing the fabric for the agenda and programs of U.N. agencies, commissions, conferences, and other organizations. Examples:

ITEM: At a general meeting of the U.N.'s Food and Agriculture Organization in Rome in November 1983, the bloc of less developed countries, commonly known as the Group of 77, won approval of a proposal designed to transfer benefits from the development of plant germ plasms from the industrial countries to the developing ones. The Group of 77 insisted that natural resources such as plant germ plasms are part of the "common heritage of mankind" and thus should be shared by all nations. This initiative would impede the access of industrialized nations to germ plasm material and severely weaken their proprietary rights to commercial plant varieties developed from the material.¹ The "common heritage" principle is also being applied to the deep seabed, the moon, outer space, and the vast continent of Antarctica.

ITEM: A consumer protection code that would erect nontariff barriers to trade--such as controls on product advertising, safety, quality, and pricing--is being considered by the U.N.

¹ "Seeds of Dissention Sprout at FAO," Science, January 1984, p. 148.

Economic and Social Council. These measures are advocated by those seeking government regulation of markets.²

ITEM: The U.N. Commission on Transnational Corporations has drafted a Code of Conduct for multinational corporations. The Code instructs the U.N. to encourage its member-nations to establish "sociocultural" objectives and require private enterprise to follow these "cultural patterns" set by government.³

ITEM: Since 1974, the Group of 77 has dominated the World International Property Organization proceedings in an attempt to revise international patent regulations. The result of these revisions would be to deny traditional patent protection to Western-based multinational corporations and thus reduce significantly their incentives to take the risks and make the investments required for economic development. The losers would be the vast impoverished populations of developing countries who would lose access to Western-based technologies and innovations.

ITEM: A code defining rules for corporate licensing and sale of technology, as well as other forms of "technology transfer," is being negotiated by the U.N. Conference on Trade and Development. If the UNCTAD majority, led by the Group of 77 and encouraged by the Soviet bloc, had its way, multinational corporations would be harassed and deprived of their proprietary rights through codes governing technology transfers, business practices, patents, and trademarks.

ITEM: Third World and other activists, which are accredited nongovernmental organizations (NGOs) with the World Health Organization (WHO), have laid the groundwork for a WHO-sponsored marketing code for pharmaceuticals. Such a code would restrict the world availability of medicines to a small group of "essential drugs" and would destroy the patent and trademark system pharmaceutical companies now use that compensates them for the high cost of research. UNCTAD is also becoming involved in this effort, even though such activity is outside its mandate.

ITEM: In a meeting this May of the U.N. Committee on the Review and Appraisal of the Implementation of the International Development Strategy of the Third U.N. Development Decade, the Group of 77 drafted a proposal demanding extra wealth transfers of nearly \$9 billion from the industrial nations to the poor nations.⁴ The

² See United Nations Economic and Social Council, "Consumer Protection Report of the Secretary General," U.N. Document E/1983/71, May 27, 1983.

³ United Nations Commission on Transnational Corporations, "Draft United Nations Code of Conduct for Transnational Corporations," New York, United Nations Document E/C.10/1983/S/5, June 2, 1983.

⁴ U.N. General Assembly, Committee on the Review and Appraisal of the Implementation of the International Development Strategy for the Third United Nations Development Decade, First Session, May 7-25, 1984, Agenda Item 3, "Review and Appraisal of the Implementation of the International Development Strategy," A/AC.219/L.1, May 10, 1984.

Group of 77 blueprint ignored the failures of "command economies" to meet the economic needs of their populations. It also ignored the critically important domestic free market policies that Third World countries could enact to help their economic development.

This approach to economic issues forms an agenda that is against free enterprise and the market and is for centralized planning, protectionism, and subsidization of inefficient programs and industries. This agenda permeates the resolutions, documents, conference topics, and rhetoric of the U.N. What is worse, the U.N. provides economic advice to developing states that overlooks the world's most impressive development "success stories"--in Taiwan, South Korea, Singapore, Ivory Coast, and Sri Lanka. These nations have eschewed the philosophy of centralized government-controlled and mandated economic planning and other disincentives to free market expansion. U.N. economic organizations, on the other hand, appear to espouse these ideas as a basis for policies that have proved disastrous for Tanzania and Bangladesh and dozens of other Third World nations.

The U.N.'s anti-private sector bias finds its way into significant parts of the organization's development machinery. While sustainable economic growth depends chiefly on private sector activity, the U.N. Development Program (UNDP), the principal economic development organization, provides virtually all of its services and funding directly to governments.

At the core of the U.N. economic agenda is the New International Economic Order (NIEO), whose fundamental goal is to enrich the developing nations at the expense of the industrial countries. NIEO orthodoxy embraces government planning rather than the efficiency of the marketplace; it champions the idea that all nations have an equal claim to the fruits of man's output rather than that of rewards being distributed according to merit; and it rests on the naive faith that wealth simply exists in nature rather than being produced through creativity, risk capital, and hard work. NIEO is promoted in almost every corner of the U.N. system--from the General Assembly and the U.N. Economic and Social Council to the Secretariat's Department of Public Information and the many specialized and voluntary U.N. agencies throughout the world. In the more than \$300 million worth of economic research that the U.N. annually produces, the data are often altered and the results manipulated to conform to NIEO premises.

While contributions to U.N. agencies for development work comprise only a small share of the world's official development assistance,⁵ the U.N. has a fundamental responsibility to provide

⁵ Figures for 1981 show contributions to U.N. agencies for grant aid for development work to be around \$2.2 billion--about 3 percent of total net flows of financial resources to developing countries. Source: Rutherford M. Poats, Development Cooperation: 1983 Review (Paris: OECD, 1982), pp. 178, 218-219.

sound advice to the developing world. Instead, the U.N. tries to convince the developing countries that economic growth can be attained merely by demanding resource and technology transfers from the industrial states.

It is time that the U.N. give a "fair hearing" to the principles of free enterprise and private property and to arguments against overregulation of the marketplace. This must become a top priority for the U.S., which in 1982 contributed \$683 million just to U.N. development programs and agencies. It is not, after all, the U.S. that needs to learn the lessons of free enterprise. It is the poor, less developed nations of the Third World that stand to lose the most from U.N. advocacy of an economic ideology that, if fully implemented, would perpetuate their plight. The U.S. should evaluate carefully its participation in U.N. development programs and economic forums and should ask whether its U.N. contributions actually improve the economic welfare of the Third World's 3.4 billion inhabitants.

THE ECONOMIC MANDATE OF THE U.N.

While the U.N.'s primary purpose originally was maintenance of international peace and security, the preamble to the Charter also calls for the U.N. "to promote social progress and better standards of life in larger freedom," and "to employ international machinery for the promotion of the economic and social advancement of all peoples." A number of the Charter's 111 articles focus on international social and economic cooperation.

These general provisions have allowed the U.N. to take an increasingly active role in global economic matters. The arm of the U.N. primarily responsible for coordinating the economic and social work of the U.N. and its specialized agencies and institutions is the U.N. Economic and Social Council (ECOSOC). ECOSOC's regulatory agenda has included:

- drafting a Code of Conduct for Multinational Corporations, under the auspices of the Commission on Transnational Corporations;
- drafting Guidelines for Consumer Protection;
- establishment of guidelines for international cooperation against tax evasion and avoidance and drafting a model tax treaty;
- establishment of an Ad Hoc Group on International Standards of Accounting and Reporting;
- conducting hearings on the role of multinational corporations, their employment practices, and their "sociocultural impact" in South Africa; and

- establishment of an Ad Hoc Group on Transborder Data Flows, under the auspices of the Commission on Transnational Corporations.

Other organizations that participate in the economic agenda of the U.N. and must report to the U.N. General Assembly through ECOSOC include:

- The Committee on Science and Technology for Development, which, among other things, is charged with strengthening developing countries' scientific and technological capabilities;
- U.N. Industrial Development Organization (UNIDO), which, among other things, provides an international exchange of technological information on multinational corporations;
- U.N. Environment Program (UNEP), which has, among other things, drawn up a register of potentially toxic chemicals. This became part of the U.N. master list of banned, severely restricted, or withdrawn products to be used in activist campaigns against chemical and pharmaceutical manufacturers;
- International Labor Organization (ILO), which in 1977 issued the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy;
- U.N. Conference on Trade and Development (UNCTAD), which, among other things, has drafted a Code of Conduct of the Transfer of Technology that would demand developing country access to proprietary technology and future improvements to that technology from the industrialized states;
- World Intellectual Property Organization (WIPO), which administers the Paris Convention on Industrial Property. The developing countries have sought to change this convention in a way that would weaken patent protection and discourage Western-based multinational corporations from technological innovation;
- World Health Organization (WHO), which drafted and sponsored the 1981 International Code of Marketing of Breast-Milk Substitutes, which places extensive restrictions on the sales promotion activities of the infant formula industry; and
- U.N. Development Program, which is the central coordinating agency for most U.N. development activities.

THE U.N. AND NIEO

During the past decade, U.N. economic policies and programs have been influenced by the so-called New International Economic

Order. Known generally as NIEO, it was promulgated during the tumultuous 1974 General Assembly session. As translated into various U.N. charters, declarations, and programs of action, the NIEO influence appears as demands for increased aid, preferential markets for exports of developing countries, and centralized planning.⁶ In the aggregate, these ideas comprise an economic philosophy hostile to the free enterprise system and blind to the market economy. NIEO ignores the fact that private sector trade and investment sustain industries, employ people, and transfer useful technologies throughout the developing world.⁷

The provisions of NIEO also call for the regulation of multinational corporations and foreign investment and the authorization of nationalization and expropriation with compensation to be determined by the courts of the nationalizing countries.

Recent statements by U.N. supporters and observers have argued that NIEO and the "distributionist" ideology of the U.N. are becoming "a thing of the past," no longer on the agenda of the Group of 77. Yet Iqbal Haji, a senior economist at the U.N., concedes that "All the basic tenets [of NIEO] are there, they're just packaged differently."⁸ The Group of 77 not only has ignored free market successes in the developing world but also has sought to promote regulatory machinery that will prevent such success elsewhere.

The General Assembly

The 38th General Assembly, which met in 1983, adopted 83 resolutions and 18 decisions on development and "economic and financial matters." Some of these were relatively straightforward in calling for economic or "special" assistance for specific developing countries. Others, however, again demonstrated that the General Assembly remains at the head of U.N. attacks on the free enterprise system. It is the U.N. body that nearly always ignores the lessons of development success in many of the countries in the Pacific Basin and in such countries as Sri Lanka and the Ivory Coast.

Examples from the 1983 General Assembly session:

- A Resolution on Consumer Protection (Resolution 38/142), which requests the Secretary-General to extend "all possible assistance towards the finalization and adoption of the draft guidelines." These guidelines advocate replacing a

⁶ General Assembly Resolutions 3201 and 3202.

⁷ The U.S. alone imports more than \$60 billion worth of goods from the developing world--more than double the total development assistance from the West.

⁸ Quoted in the Interdependent, U.N. Association of the United States, May-June 1983.

free market system with one in which governments determine what is bought and sold.

- A Decision that "takes note" of a report by the Secretary-General on the role of the "public sector in promoting the economic development of developing countries" (Decision 38/430). Obviously, there were no reports of the Secretary-General that extolled the value of the private sector in promoting economic development.
- A Resolution of the International Code of Conduct on the Transfer of Technology calling for a sixth session of the U.N. Conference on this Code under the auspices of the U.N. Conference on Trade and Development (UNCTAD). Among other things, this Code would condone government intervention in setting specific contract terms for finance, renegotiation, technical aspects, and mechanisms for technology transfer.⁹

The Economic and Social Council (ECOSOC)

ECOSOC is responsible for initiating activities and making recommendations relating to economic development, world trade, industrialization, science, technology, and multinational (or transnational) corporation (MNCs).

In addition to the issues addressed by specific expert groups on commissions reporting to ECOSOC (such as the Commission on Transnational Corporations), ECOSOC oversees two major activities that affect MNCs and attack the free enterprise system: the Consumer Protection Guidelines and Implementation of the Venezuelan Resolution" (General Assembly Resolution 37/137), concerning the export of "hazardous substances."

The stated primary aims of the Consumer Protection Guidelines are "to improve consumer protection, encourage standards of conduct for producers and distributors and curb business practices which adversely affect consumers."¹⁰ Yet the Code denies consumers the basic right to weigh costs and benefits associated with purchase of a particular product by assuming that a government is able to determine consumers' "economic interests" better than the consumers themselves. By letting government determine what product information is "necessary," the Code denies consumers the right to choose whether they want the costs for additional information included in the price of a product. Although the U.N. draft has yet to be adopted, the U.N. is encouraging individual

⁹ UNCTAD Legal Policies Section of the Technology Division, "Draft International Code of Conduct on the Transfer of Technology: Present Position," The CTC Reporter, No. 12, Summer 1982.

¹⁰ International Business-Government Counsellors, Inc., The International Organizations Regulating Guidebook (Washington, D.C.: International Organizations Monitoring Service, 1984), p. 74.

countries to adopt similar guidelines. This means that consumers in developing countries will be denied free choice and forced to pay higher prices for a wide range of protectionist measures implemented by their governments and based on the U.N. model.

In late 1982, the General Assembly adopted Resolution 37/137-- commonly referred to as the "Venezuela Resolution," because of its sponsor. It requested the U.N. Secretary-General to prepare a list of substances harmful to health and environment. The result is a list of banned, withdrawn, or severely restricted products to be updated periodically. The list contains generic and brand-name products, the names of manufacturers, and a summary of the reasons for the decisions of the governments that have banned, withdrawn, or restricted the products.

Besides being vague and leaving some key phrases undefined (thus making compliance difficult), this General Assembly resolution probably will spur new barriers to trade in several product markets.¹¹ A product banned in one country might be highly desirable in another, but export to such a market would be restricted under the resolution. Additionally, product approval delays in one country might impede the marketing of the product in another country because of "regulatory lag." Not only does this scheme suggest that individual governments should determine what information is "necessary" for their populations, but it assumes that the global authority of the U.N. is even more "omniscient" than the national governments themselves.

Forums Dealing with Development Issues

In May 1984, the "Committee on the Review and Appraisal of the Implementation of the International Development Strategy for the Third U.N. Development Decade" convened under General Assembly auspices to review and appraise the U.N.'s development strategy. During the meeting, Mexico submitted a development policy proposal on behalf of the Group of 77. This document has now been incorporated into another draft report, which reflects more the opinions of all the members of the Committee but reveals the commitment of the Group of 77 to the NIEO's radical development ideology.

In its concept for a "just global trading system," for example, the Group of 77 proposal specifically rejects any kind of "international trading system incompatible with the new international economic order."¹² This is a repudiation of free trade. To make this point, nowhere in the provisions on trade does the document address the needs to eliminate tariffs and nontariff

¹¹ Mary A. Fejfar, Regulation of Business by International Agencies (St. Louis, Missouri: Washington University Center for the Study of American Business, November 1983), p. 35.

¹² General Assembly Document A/AC.219/1.I., May 10, 1984, op. cit., Art. 15, p. 3.

barriers to trade; to reverse policies which result in the subsidization of inefficient domestic producers and interfere with the principle of dynamic comparative advantage; or to refrain from intergovernmental price setting arrangements which artificially raise the price of exports. The Group of 77 intended this document as a working paper for the Committee, and the Committee utilized it as a basis for further work during the summer of 1984. Western diplomats at the U.N. confirm, however, that the ideas in the document are still very much alive and continue to describe the negotiating position of the Group of 77.

BIASED RESEARCH AND REPORTING AT THE U.N.

The Group of 77 campaign against the free enterprise system is supported by often tendentious and heavily politicized research and reporting conducted within the U.N. itself and by outside "consultants."

In May 1981, the U.N. admitted funneling \$432,000 to 15 foreign newspapers to promote the New International Economic Order and the economic needs of the Third World.¹³ A report in Business Week that year suggested that "this may be the tip of political efforts by developing countries, with the aid of the Soviet bloc, to use the U.N. to reshape the world economy."¹⁴ Claiming that evidence was "mounting that the U.N.'s \$300 million-plus economic research programs are being manipulated to promote the NIEO," the article demonstrated how the "pervasive" tampering with economic research at the U.N. involved some of the world body's most prominent agencies. Two examples:¹⁵

□ The director of one division of the U.N. Conference on Trade and Development (UNCTAD) deleted an entire section of a consultant's 1979 study on structural problems in the slow-growth steel industry, because it painted too negative a scenario for developing country steel producers. It was rewritten to stress the advantages of giving developing countries a larger piece of the market.

□ The Future of the World Economy, a major study prepared by a research team led by Nobel Prize winner Wassily W. Leontief of New York University was altered by a high-level Soviet official in the New York-based Economic and Social Affairs Department (ESA) of the U.N. Secretariat. The ESA study, undertaken to analyze how the NIEO might best be achieved, was altered to produce an "unsustainably high" 7.2 percent average potential growth rate for the developing countries from 1970 to 2000. In the study's original draft, the U.S. research team had concluded that a 5.4 percent growth rate was probable.

¹³ Bernard Nossiter, "U.N. Gave \$432,000 to the Foreign Press to Publish Its Views," The New York Times, May 28, 1981.

¹⁴ "A Third World Bias at the U.N.," Business Week, July 20, 1981, p. 156.

¹⁵ Ibid.

There is further evidence to indicate that the United Nations' economic agencies and organizations and the Secretariat itself continue to ignore documented evidence refuting their pro-statist, anti-free enterprise arguments. Examples of biased reporting are found, for example, in the Department of Public Information, and in the U.N. Centre on Transnational Corporations.

Department of Public Information

The Secretariat's Department of Public Information has the responsibility "to promote to the greatest possible extent an informed understanding of the work and purposes of the United Nations among the peoples of the world." Its 1946 Mandate from the General Assembly specifically prohibits it from engaging in "propaganda." Yet in dealing with the world economy, DPI produces a staggering amount of what, in fairness, can only be termed "propaganda" against free market solutions and in favor of the model offered by the centrally planned economies of Eastern Europe and the Soviet Union.

DPI endorses the widely refuted U.N. argument that the problems of the world economy have been exacerbated by multinational corporations. A 1982 issue of the DPI/U.N. University publication, Development Forum, contained an article which maintained, among other things, that "the unprecedented TNC [transnational corporation] penetration of the world economy has become a leading catalyst in the global crisis of mounting unemployment, inflation and stagnation."¹⁶ DPI ignores the overwhelming evidence that multinational corporations have provided developing countries greater access to world markets, and developed new job opportunities in the countries where they invested.

In addition to numerous radio broadcasts promoting the pro-NIEO rhetoric of the U.N., DPI has published Towards a World Economy That Works: Questions and Answers. This volume serves as a "travel guide" to the strange path of U.N. ideology that argues that the world economy would work much better if it adopted NIEO blueprints.

Even at conferences and training sessions, which DPI organizes for the benefit of nongovernment organizations (NGOs), DPI continues to promote its anti-free enterprise, pro-statist propaganda, instead of using such a valuable opportunity to instruct NGOs how to actually promote development more effectively. At a DPI conference in New York in September, for example, conference participants were directed to trade items of unequal value so that one participant always received something of less value than what he traded away. According to one of the conference organizers, this extended exercise was carried out merely to demonstrate to the attendees "what it feels like to be poor." No exercise time

¹⁶ "The Ever-Grasping Drive," Development Forum, November 1982, p. 3.

was used to show the participants how to develop free market and pro-growth solutions and thus to learn how to break away from conditions of poverty and poor economic development.

The Centre on Transnational Corporations

The U.N. Centre on Transnational Corporations was established in November 1975 by ECOSOC as an autonomous body within the U.N. Secretariat to serve as a focal point for all matters relating to multinational corporations. As the "Secretariat" for the U.N. Commission on Transnational Corporations and its subsidiary intergovernmental bodies, the Centre has played a key role in formulating the Code of Conduct for TNCs by providing an extensive amount of documentation for use by the Commission's delegates.

In preparing a 1983 report on "Transnational Corporations in the Pharmaceutical Industry of Developing Countries,"¹⁷ for example, the Centre has made little attempt to seek the views of the international pharmaceutical industry on the challenge of improving access for the populations of developing countries to necessary pharmaceuticals at lower prices. The Centre ignored the demonstrated advantages of less regulation of the industry in countries that have removed barriers to the free market. In general, the Centre did little to improve the negotiating ability of developing countries with the international pharmaceutical manufacturers--a task that is very much part of the Centre's mandate.

The U.N. Centre is also strangely selective about the research that it uses to support its pro-regulation, anti-free market arguments. For example, when officials of the U.N. Centre were asked why they did not cite a 1982 speech by Dr. Sanjaya Lall, an Indian economist, who for many years has analyzed the international pharmaceutical industry, they maintained it was "hardly equal to a study." The 1982 speech reflected Dr. Lall's strong position that, in India, industry has become greatly "over-regulated" by government and demonstrated a reversal from Lall's former positions previously espoused in his 1973-1979 papers. In its so-called research, the Centre chose to make reference to the earlier papers but completely ignored Dr. Lall's more recent position, which was well known to the U.N. Centre's staff.

The United Nations Institute for Training and Research (UNITAR)

UNITAR, with headquarters in New York, was established in 1965 to "enhance the effectiveness of the United Nations in

¹⁷ U.N. Centre on Transnational Corporations, Transnational Corporations in the Pharmaceutical Industry of Developing Countries: A Technical Paper (New York: United Nations, 1983).

achieving the major objectives of the Organization, particularly the maintenance of peace and security and the promotion of economic and social development."¹⁸ Since 1975, UNITAR's research has emphasized the establishment of the New International Economic Order (NIEO) and reflected a bias in favor of NIEO and against free market ideas and their proved track record of success in the developing world.

In recent collaboration with the Center for Economic and Social Studies for the Third World (CEESTEM), UNITAR produced a series of 14 books on the NIEO. In a 1981 volume designed to present "alternative views" on NIEO, the UNITAR/CEESTEM authors virtually ignore all the "alternative" views of NIEO that do not coincide with their own.¹⁹ Instead of a critical review of NIEO, the authors present a promotional guide to the New Order. Moreover, they leave little doubt about their own positions on various economic issues or about the conclusions they intend to reach in each of the chapters of the volume.

A chapter on "International Trade," for example, begins: "In the present decade the main factor conditioning the debate on international trade has been the common awareness of the exhaustion and structural crisis of the monetary and commercial system agreed upon in the postwar period. But out of the virtually unanimous recognition of the need to replace the old order has grown, in recent years, a heated debate on how to judge the system functioning until now, on the causes of its collapse and on the replacement alternatives."²⁰ The "unanimous recognition" cited by the study's authors is based only on the views of like-minded NIEO theorists, who have rejected the views of free market theorists and economists virtually out of hand.

Another chapter on "Transnational Enterprises" begins with the claim that "the economic power acquired by such enterprises makes them one of the most important political forces within the present international power structure. Their capacity to influence decisively the decision-making process, together with the fact that there are no institutional mechanisms to orient and control their activities, frequently transforms these enterprises into a nucleus of conflicts. On more than one occasion they have actually intervened in other nations' internal affairs."²¹

UNITAR ignores documents that illustrate the positive contributions of multinational corporations to economic development; the many examples of developing countries that have succeeded in

¹⁸ The United Nations, Everyone's United Nations, (New York: 1979), p. 146.

¹⁹ Jorge Lozoya, Jaime Estevez, and Rosario Green, Alternative Views of the New International Economic Order, UNITAR/CEESTEM (Elmsford, New York: Permagon Policy Studies, 1981).

²⁰ Ibid., p. 54.

²¹ Ibid., p. 65.

breaking out of the oppressive cycle of poverty and "development" by creating attractive climates for multinational investment; and the views of many well-known and respected economists, such as Lord Peter Bauer and Dr. Melvyn Krauss, whose writings on free market approaches to development are known world wide.

U.N. DEVELOPMENT ACTIVITIES

The central coordinating agency for most U.N. development activities is the U.N. Development Program (UNDP). Its purpose is to provide systematic and sustained assistance in fields related to technical, economic, and social development of developing countries. In 1982, UNDP funded some 5,400 projects in agriculture, industry, education, power production, transport, communications, health, public administration, housing, trade, and related fields. These activities are financed by the voluntary contributions of U.N. members. U.S. contributions to UNDP in 1982 were \$127.3 million, approximately 19 percent of the UNDP budget. While UNDP's goals of improving economic conditions in developing countries are laudatory, there are serious problems with the way that UNDP tries to promote development.

Economic growth is sustained by vigorous private sector activity, yet UNDP directs all its services and funds to the governments of developing nations. As UNDP resident representatives in Indonesia, Malaysia, and Thailand told The Heritage Foundation during interviews in those countries last year, obtaining recipient government counterpart funding and involvement or financial support from the multilateral development banks is a prerequisite for a UNDP project.

The clients of UNDP are the governments of developing countries. The governments must be convinced that UNDP projects merit counterpart (or recipient nation) funding. U.N. evaluation of a project's results can only be carried out with the agreement of the government concerned. Even if some portion of UNDP funds is spent in the private sector, the government ministries still decide which private entity will receive funding.

The problem of public sector biases is also evident in the nonmarket, noneconomic goals of many programs. A project is often less concerned with meeting actual consumer demands with cost-effective production techniques than with fulfilling political criteria, such as subsidies to urban areas. This appeared to be the case, for example, at a U.N. Habitat project in Jakarta. It was described by the Country Technical Adviser (CTA) as the "Development of a National Urban policy for Indonesia," and as a chance for the Indonesian government to "purposefully shape the national urban pattern."

The development rationale behind UNDP financial support for national liberation movements--such as the Southwest Africa People's Organization (SWAPO)--is particularly questionable. SWAPO and other groups such as the Palestine Liberation Organization (PLO), which have sought power by violence and terrorist tactics, receive funds and diplomatic and rhetorical backing from

various parts of the U.N. system. UNDP, in particular, is a major backer of these groups whose activities have nothing to do with economic development. From 1977 to 1981, UNDP gave approximately \$21 million to national liberation movements in Africa alone.

One purpose of UNDP is to provide technical assistance to governments formulating their development plans. Among other things, this takes the form of surveys, studies, and research to locate investment opportunities. Preinvestment studies are very much a part of most UNDP projects. A CTA with the U.N. Industrial Development Organization in Jakarta, for example, showed this author over half a dozen "feasibility studies" for various projects in Indonesia from rattan furniture to juice processing. The trouble was, all of the projects turned out to be disappointing; either financing was refused by local banks, or it had not even been actively sought. A former UNDP official remarked: "Such studies should be a means to an end, and not an end in themselves; and their actual implementation should be the rule, not the exception."²²

The role of economic incentives for individual entrepreneurs and businessmen and the effect of government policy in distorting those incentives has become one of the persistent themes in recent World Bank publications. This seems not to have had much impact on U.N. development activities and is thus not part of U.N. development literature. Rather, the ideology of the New International Economic Order continues to play the lead role in U.N. development guidelines.

The policy-making body of UNDP is comprised of a majority of recipient rather than donor nations. This has led to an orientation unlike that of other multilateral institutions, such as the International Monetary Fund (IMF) or the World Bank, where control remains in the hands of the free world industrialized countries. In UNDP, the states that have most actively supported the New International Economic Order make UNDP policy.

CONCLUSION

The war against economic freedom, the free enterprise system, and the multinational corporations permeates the U.N. structure. This ideology not only is antithetical to U.S. interests and policies, but more important, stifles economic growth and development in the Third World. Thus, U.N. policies may ensure that developing countries remain perpetually dependent on U.S. and Western aid and perpetually hostile to American economic values and principles.

The U.S. State Department should give high priority to convincing nations to end U.N. negotiations for many of the

²² Sudhir Sen, "Farewell to Foreign Aid at the United Nations," Worldview, August 1982, p. 7.

proposed international marketing and distribution regulations and codes. Failing this, the U.S. should reduce its participation in those U.N. bodies, agencies, and commissions that promote these restrictions. In particular, the U.S. should end its participation in negotiations for a Code of Conduct for Transnational Corporations, which have continued for almost ten years in 17 formal and informal sessions, and have served only to perpetuate a statist, anti-free enterprise view of the multinational corporation in the developing world. Multinational corporations have begun already to monitor their own activities in developing countries and, particularly during the past decade, have entered into agreements with recipient nation governments to respect national sovereignty and to ensure a better balance of mutual benefits.

The Congress should consider withholding the U.S. share of U.N. funding for the Centre on Transnational Corporations (\$2.4 million) and a portion of the U.S. support for the Department of Public Information (around \$4.5 million). Both of these organizations have promoted a hostile view toward the free enterprise system and its contributions to economic development, and instead, have promoted the model of a statist, highly-regulated, government-controlled economic system for developing countries.

The Reagan Administration should support enthusiastically Senator Larry Pressler's (R-SD) bill called the International Organizations Public Procedures Act (S.1910), which proposes, through publication in the Federal Register, to bring to the attention of the U.S. public and business community all international marketing and distribution regulations that might impede the exports of U.S. agricultural and other products. Legislation should be considered which similarly would require publication in the Federal Register of other U.N. actions inflicting burdens on U.S. business.

In 1982, the United States contributed approximately \$683 million to U.N. agencies and programs involved in international "development activities." Congress should investigate carefully whether these contributions, channeled through U.N. programs and agencies that reflect the anti-free enterprise, pro-statist philosophy of the U.N. system, actually spur development. The evidence seems to indicate that they probably inhibit development. The U.S., in particular, should seek support from other industrialized member-states of the United Nations to change the composition of the policy-making body of the U.N. Development Program to place its effective control in the hands of the major donor states, as in the International Monetary Fund and World Bank. And Congress should ask whether U.S. funds for development might be spent better in direct bilateral aid programs for Third World countries. These countries are cheated the most by the U.N. bias on economic development

Roger A. Brooks
Roe Fellow in United Nations Studies