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COMMITTEE ON THE PEACEFUL USES OF  
THE SEA-BED AND THE OCEAN FLOOR  
BEYOND THE LIMITS OF NATIONAL  
JURISDICTION

POSSIBLE METHODS AND CRITERIA FOR THE SHARING BY THE  
INTERNATIONAL COMMUNITY OF PROCEEDS AND OTHER BENEFITS  
DERIVED FROM THE EXPLOITATION OF THE RESOURCES OF THE  
AREA BEYOND NATIONAL JURISDICTION

Preliminary note by the Secretariat

1. The present note has been prepared in accordance with a decision taken by the Economic and Technical Sub-Committee of the Committee on the Peaceful Uses of the Sea-Bed and the Ocean Floor beyond the Limits of National Jurisdiction, contained in paragraph 10 of its interim report (A/AC.138/SC.2/L.6), which reads: "The Sub-Committee has requested the Secretary-General to prepare for the August session a paper on the question of possible methods and criteria for the sharing by the international community of proceeds and other benefits derived from the exploitation of the resources of this area, though some representatives expressed the most serious doubts about the timeliness and appropriateness of such a paper for the implementation by the Sub-Committee of its mandate."<sup>1/</sup>
2. During the discussion of this request some comments were made about the difficulty of preparing such a paper, particularly when most of the relevant assumptions on which such a paper should be based had not yet been agreed upon, and because the extent of exploitation activities which might take place in the

<sup>1/</sup> At its 26th meeting, held on 24 March 1970, the Committee on the Peaceful Uses of the Sea-Bed and the Ocean Floor took note of the interim report of its Economic and Technical Sub-Committee.

area beyond the limits of national jurisdiction would be difficult to predict. Even more difficult to calculate would be the size of the proceeds to be derived from them.

3. It was believed, however, that such a paper might be useful in providing a basis for further discussion even with these unavoidable limitations.

4. General Assembly resolutions 2340 (XXII), 2467 (XXIII) and 2584 (XXIV) clearly stated that the resources of the sea-bed and the ocean floor beyond the limits of national jurisdiction should be exploited for the benefit of mankind as a whole, irrespective of the geographical location of States, taking into account the special interests and needs of the developing countries.

5. The benefits to be derived from sea-bed resources are contingent, of course, on progress in mineral exploitation, and at this stage its rate of advance is difficult to predict. Nevertheless, several kinds of benefits could be anticipated from the exploitation of sea-bed resources, ranging from the expansion of the world's mineral resource base and the benefits that accompany the production and use of minerals to the development of a source of income for the international community.

6. Over the long term, the most important of these benefits is likely to be the expansion of the world resource base of several minerals, some of which may otherwise be in short supply in a few decades. Minerals, including mineral fuels, are the physical basis of the machines, chemicals, fertilizers, and structural materials that enable man to raise his living standards in both developed and developing countries. Land sources may not be able to meet world demands for some minerals in a few decades, but if the advance of science and technology enables sea-bed resources to be exploited economically, the availability of several key minerals would be assured far into the distant future. It should be noted that, while developed countries are by far the most important consumers of minerals at present, the developing countries are already increasing their consumption of minerals and fuels. By the time sea-bed production could become technically and economically feasible on a wide scale, all of mankind should be able to share significantly in the benefits that come from the use of sea-bed minerals.

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7. Exploitation of the mineral resources of the sea-bed may also have a favourable effect on the stability of raw material markets by diversifying the sources of supply and, in some instances, easing the excessive reliance of consumers on a limited number of producers. At the same time, if exploitation takes place at a rate exceeding that at which sea-bed minerals can be absorbed into the world market, internationally agreed measures may be necessary to safeguard the interests of those developing countries which depend heavily on mineral production in case this new source of supply jeopardizes their markets or the price level for their exports.<sup>2/</sup>
8. Also among the important benefits to be derived from sea-bed resources exploitation could be the multiplier effects surrounding the land-based supply, processing and refining industries that might develop as a consequence of sea-bed activities. In addition to these economic effects, some benefits from technological spillover may be expected as tools and methods developed for sea-bed mineral exploration and exploitation find application in other fields. There are also, of course, important benefits that come from the spread of new skills and knowledge.
9. These benefits could come not only to those countries that undertake sea-bed exploration and exploitation but also to those that utilize the minerals produced, those that provide equipment and supplies for marine mining and those that provide the sites for related land-based industries. To widen the direct participation of developing countries, provision will need to be made for training nationals from all interested countries in the different phases of marine mineral resources development. Such training and involvement will need to encompass all activities from pure scientific research to the exploration, evaluation, exploitation and marketing of minerals obtained from the sea-bed and ocean floor.<sup>3/</sup> Other forms of technical co-operation may also be needed to enable developing countries to acquire the capability to participate in sea-bed exploration and exploitation.

<sup>2/</sup> "Economic implications of the exploitation of mineral resources on and underlying the sea-bed and ocean floor and its subsoil with particular reference to world trade and prices" (A/AC.135/14).

<sup>3/</sup> See "Economic considerations conducive to promoting the development of the resources of the sea-bed and ocean floor and the subsoil thereof beyond the limits of national jurisdiction in the interests of mankind" (A/AC.138/6).

10. The sharing of whatever financial proceeds are derived from the exploitation of mineral resources of the sea-bed could take many forms according to the nature of the international régime to be established and the role of an international machinery. At this stage, without prejudging any decision which may be taken on the question of régime or machinery, it is only possible to put forward some very general ideas.

11. For the sake of argument, assuming that under any type of international régime and machinery to be established for this purpose, fees would have to be paid for exploration rights, and authorized operators would have to pay royalties or taxes or other levies on the production obtained from areas beyond national jurisdiction, it would appear reasonable to suppose that such moneys would be collected by an international body. Among the numerous problems regarding the collection of taxes, fees and other levies, the question of currencies will have to be considered so as to ensure that the funds collected can be used as widely as possible without excluding countries or operators which may not possess convertible currencies in sufficient quantities from participation in deep sea exploitation.

12. From the funds thus accumulated one may consider an allocation to cover the expenses of the international machinery and perhaps some additional amounts to cover damages to the environment or to other legitimate interests caused by economic activities on the sea-bed - this of course to the extent that such liabilities are not fully or sufficiently met by the operator. The allocation of funds for other purposes could be envisaged in many different ways.

13. It is worth noting first, however, that the volume of these funds will, for practical reasons, exert an important influence on the manner in which they might be administered, allocated and utilized. Therefore, unless the volume of sea-bed mineral production reaches proportions considerably higher than now anticipated, it would hardly appear practical to attempt to distribute the residual proceeds accruing to the international community directly to the countries of the world, or even to the developing countries alone, according to population size, per capita income, or similar criteria of need.

14. Other methods of administering and allocating surplus financial proceeds from sea-bed explorations could also be considered:

(a) They could be paid into the general budget of the United Nations Organization or its specialized agencies for purposes agreed upon by the Member States;

(b) They could be used to strengthen the United Nations Development Programme and either utilized for the achievement of its general purposes or allocated for certain specific aims, such as global or regional projects or for the promotion of ocean-connected activities of developing countries. In this connexion, considering the speed in which reliable information can be collected on economically attractive mineral deposits in the ocean, it may be worth while to mention that operators will find it very difficult to undertake the first stages of exploration in deep sea until detailed mapping and mineral exploration has indicated the existence of mineral deposits. It may therefore be necessary to consider whether the United Nations as such may have to play a role at least at the outset in outlining mineral deposits;

(c) A special international fund could be created, either as part of the international machinery or independently from it, to finance such activities as:

- (i) Large-scale exploration of natural resources in developing countries;
- (ii) Maintaining price stability on mineral resources produced from the sea-bed if their production proves to have a negative effect on the exports of certain developing countries;
- (iii) Transferring ocean technology to developing countries and financing extensive training of personnel of these countries;
- (iv) Supporting various international activities which contribute to the development of scientific knowledge of the oceans and their resources and to the prevention of pollution and other damage to the ocean environment and its resources;
- (v) Supporting activities essentially unrelated to the development of ocean resources, such as world-wide campaigns for specific goals in education, food, population control, preservation and improvement of the environment.

15. Any methods and criteria to be adopted for the use of sea-bed revenues should be devised on the basis of the amounts expected and should allow some flexibility in their use over time to meet changing needs and new developments. Definite arrangements for the sharing of proceeds may have to wait until the various factors determining the extent of economic development of mineral resources of the sea-bed and ocean floor (the amount of resources, their location, the limits of national jurisdiction, the technological factors, their economic potential, the rentability of their exploitation) can be appraised with more precision.

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