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held on

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at 3 p.m.

New York

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SUMMARY RECORD OF THE 33rd MEETING

Chairman: Mr. JANKOWITSCH (Austria)

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AGENDA ITEM 58: UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (continued)

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The meeting was called to order at 3.20 p.m.

AGENDA ITEM 58: UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (continued)
(A/32/15 (vols I and II), A/32/61, A/32/126 and Add.1 and A/32/3/Add.1 (Part III))

1. Mr. DÖME (Council for Mutual Economic Assistance), speaking at the invitation of the Chairman, said that the CMEA member countries would continue to develop their economic and scientific and technical ties with other countries, regardless of their social systems or systems of government, on the basis of the principles of equality, mutual advantage and respect for sovereignty and in accordance with the comprehensive programme for the intensification of co-operation and of socialist economic integration among the CMEA member countries. The trade between the CMEA countries and developing States was increasing every year - it had amounted to over 13 million roubles in 1976 - and the CMEA countries were also providing economic and technical assistance to 78 developing countries in Asia, Africa and Latin America through some 3,561 industrial projects and projects in other sectors of the national economy. They also provided aid to newly independent States in conquering their economic independence, and over 70 per cent of that aid had been used to execute industrial and energy projects. Assistance from CMEA countries had enabled developing countries to build an impressive number of engineering and metalworking plants, oil refineries and chemical works, and installations for the processing of agricultural products and foods, in addition to their assistance to the electrical energy infrastructure. In 1976 alone CMEA countries had concluded 260 agreements with developing States for the construction of industrial and other projects in those countries. In strengthening their co-operation with developing countries, the CMEA countries believed in the desirability of creating a State sector responsible for national planning and for effectively solving the problems of attaining economic independence and social development.

2. The CMEA countries also co-operated with individual countries on a multilateral basis. Fruitful co-operation with Yugoslavia was being expanded, and the CMEA countries were assisting the Socialist Republic of Viet Nam on a bilateral and multilateral basis in rebuilding and developing its economy. Agreements with Mexico and Iraq were being implemented, and multilateral co-operation was being developed with the Lao People's Democratic Republic and the People's Republic of Angola.

3. The CMEA countries fully supported the legitimate desire of developing countries to attain and strengthen their political and economic independence and would resolutely assist in attaining the aims set forth in the Declaration and Programme of Action on the Establishment of a New International Economic Order and other United Nations resolutions on the subject. It should not be forgotten that the responsibility for the backwardness of developing countries rested on the imperialist Powers and their colonial and neo-colonial policy of plundering the national wealth of those countries.

4. On the basis of the Leninist principles of peaceful coexistence with States

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(Mr. Döme)

having different social systems, and in fulfilment of the provisions of the Final Act of the Conference on Security and Co-operation in Europe, the CMEA member countries were expanding their economic links with developed capitalist States on the basis of mutual advantage and equality; trade with those countries had considerably increased, particularly under bilateral agreements. CMEA's co-operation with Finland in various sectors was a notable example of that type of co-operation, the results of which were viewed favourably by official and business circles in Finland and the CMEA countries.

5. The CMEA member countries had provided much of the impetus for the establishment of UNCTAD, and had always made a constructive contribution to its conferences and activities. The relations between CMEA and UNCTAD were established on a sound basis, as had recently been reaffirmed in resolution 95 (IV). The CMEA secretariat had taken an active part in drawing up the draft United Nations/UNCTAD programme for acquainting developing countries with opportunities for expanding trade and economic co-operation with the CMEA countries. At the four seminars which had been held under the auspices of CMEA, leading specialists of the CMEA secretariat had informed representatives of some 60 developing countries about CMEA's activity in the spheres of planning, scientific and technical co-operation, external trade and so forth. In February 1977 consultations had been held in the CMEA secretariat with a representative of the UNCTAD Secretary-General in accordance with UNCTAD resolution 95 (IV). Representatives of the CMEA secretariat had also taken part in the meeting of the Intergovernmental Group of Experts held in October 1977 and had explained the operation of the multilateral schemes of the CMEA member countries.

6. Great importance was attached to economic forecasting in the CMEA countries, as the first stage of the over-all process of socialist planning, and co-operation in that sphere embraced a wide range of economic and scientific and technical subjects. In addition to the exchange of experience on forecasting methods and organization, the Council carried out extensive work on joint forecasting in various areas, which was very useful in co-ordinating the individual member countries' long-term and five-year development plans.

7. In the matter of long-term co-ordination of plans, a number of problems of co-operation had been dealt with in recent years, and proposals had been made for the joint creation of additional capacity in the raw material and energy and fuel spheres which had led to the conclusion of multilateral agreements on the joint construction of a number of industrial installations. A significant new development was the drawing up of long-term co-operation programmes defining the basic directions of co-operation and of specific measures for co-operation in meeting economically justified requirements in the spheres of energy, fuel and raw materials, the development of engineering industries, basic food supplies and consumer durables and the modernization of the transport links of the CMEA member countries.

8. Examples of the subjects covered by the long-term co-operation programmes of

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(Mr. Döme)

the CMEA were: the electric and atomic energy sectors, prospecting for oil, gas and minerals, chemical production, iron mining and heavy metallurgy, and, in the agricultural sphere, the development of the resources of the Pacific Ocean, the sugar industry, the citrus industry in the Republic of Cuba and the application of industrial methods to the production of certain types of livestock. A number of large-scale co-operation projects were also being planned in engineering, production of consumer goods and transport. CMEA organs were currently preparing proposals on specific measures for inclusion in the long-term co-operation programmes and on possible forms of co-operation in their implementation.

9. The co-ordination of the five-year development plans of CMEA member countries was one of the basic instruments for the organization and planned development of co-operation among them, and work on the co-ordination of the 1981-1985 plans was closely linked with the long-term co-operation programmes. In the co-ordination of plans at the bilateral and multilateral levels, basic methods of economic and scientific and technical co-operation were evolved, and particular attention was paid to the selection of the most rational and effective forms of co-operation. Member countries had also concluded multilateral and bilateral agreements on specific matters on their own account. Long-term trade agreements were based on the cumulative results of the co-ordination of plans, and the obligations assumed by CMEA countries under multilateral and bilateral agreements were reflected in their national five-year plans.

10. Contacts between CMEA and UNCTAD were developing steadily, and representatives of CMEA regularly participated in meetings of the main UNCTAD bodies. Joint meetings of foreign trade ministers of CMEA member countries with the Secretary-General of UNCTAD in preparation for regular sessions of UNCTAD had become customary, and senior officials of UNCTAD visited the CMEA secretariat. Such meetings provided an opportunity to discuss specific questions of co-operation between the two organizations. With a view to implementing resolution 95 (IV), the CMEA secretariat was prepared to consider proposals on participation in seminars and conferences for representatives of developing countries, and on sending CMEA specialists to developing countries and to international economic, scientific and technical organizations, at their request, to provide information on the further development of the socialist economic integration of the CMEA countries. The CMEA secretariat was prepared to expand its work of providing information on the activities of CMEA to developing countries through international organizations in accordance with resolution 95 (IV). The participation of CMEA representatives in meetings of appropriate United Nations bodies and international organizations and invitations to specialists from those organizations to attend the deliberations of CMEA organs would continue.

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11. Mr. CHIRILA (Romania) said that the work of UNCTAD and the Trade and Development Board in their efforts to alter the existing structure of world trade and development necessarily had to be evaluated by reference to the principles laid down in the Declaration and Programme of Action on the Establishment of a New International Economic Order, the Charter of Economic Rights and Duties of States and General Assembly resolution 3362 (S-VII). The assumption on which those documents relied was that it was in the interests of all countries to accelerate economic development, particularly that of the developing countries. Clearly, a new international economic order, based on justice and equity, could not be instituted overnight, because it required far-reaching changes in the development policies of both industrialized and developing countries and in existing market structures.

12. The new type of international economic relationship would operate in all areas of international trade, including trade among developing countries. His delegation therefore welcomed decision 161 (XVII) of the Trade and Development Board concerning the terms of reference of the Committee on Economic Co-operation among Developing Countries.

13. UNCTAD was engaged in negotiating important instruments to regulate commodity markets. His delegation hoped that the negotiations on the creation of a common fund and on the integrated programme for commodities would be brought to a successful conclusion. A favourable outcome would greatly improve the climate of international economic relations.

14. His delegation hoped that favourable results would also be achieved within the framework of UNCTAD in expanding exports of manufactures from the developing countries, improving the generalized system of preferences and eliminating discrimination and other trade barriers. As a further means of promoting those countries' exports, it had proposed in the Trade and Development Board that an export credit guarantee facility for developing countries should be set up and it had been one of the sponsors of Board decision 160 (XVII) on that subject.

15. His delegation would like to see work on an international code of conduct on the transfer of technology accelerated so that a conference on the subject might be held by the end of 1978.

16. With regard to financial problems, his delegation stressed the need to implement the provisions of article 22, paragraph 2, of the Charter of Economic Rights and Duties of States, which requested States to endeavour to increase the net amount of the financial flows from official sources to developing countries and to improve the terms and conditions thereof. An equally pressing problem was the external debt of developing countries, and his delegation endorsed the recent decision of UNCTAD to give priority to that issue. Such action was entirely consistent with the Programme of Action on the Establishment of the New International Economic Order.

17. His delegation was anxious to see practical progress towards the restructuring of international economic relations. The fifth session of UNCTAD would be

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(Mr. Chirila, Romania)

especially important in view of the proposed special session of the General Assembly. Finally, he said that his delegation was convinced that the spirit of negotiation would prevail over that of confrontation and that true co-operation would result.

18. Mr. DELIVANIS (Greece) said that the key issues in improving international economic relations were access to the markets of developed countries for manufactures from the developing countries and controlling fluctuations in commodity prices, a satisfactory settlement of problems connected with invisibles in the balance of payments of developing countries, and the avoidance of bottle-necks in their balance of payments.

19. With regard to access to markets, the reduction or abolition of tariffs on manufactured goods produced in developing countries without obligation of reciprocity would have provided the desired solution, had quotas also been abolished and had the developed countries not pressed the developing countries to restrict their exports voluntarily. The impact of those restrictions was magnified by the tendency of many developing countries to export to only one country - often the former colonial Power - and the tendency to exaggerate the difficulty of securing additional markets abroad. The net effect of "voluntary" export restrictions had been to discourage new investment, cause the loss of foreign markets secured at great sacrifice and reduce employment. While it was easy to say that Governments should persuade or oblige producers to change to another product or even to subsidize production, that could not be done without substantial long-term efforts which created political, social, economic and financial problems in the country concerned. The solution of that problem would greatly influence progress towards a new international economic order. The common fund for the integrated commodity programme would be one way of increasing and stabilizing the export earnings of developing countries.

20. As a rule, developing countries did not obtain substantial revenues from invisible items since, under the existing international economic order, they paid more for freight, insurance, warehousing, patents and similar invisibles. For example, developing countries usually had to dispatch imports and exports by foreign vessels, whose freight rates were often fixed by liner conferences which were usually closed to shipowners of developing countries. It was significant in that connexion that the Final Act of the United Nations Conference of Plenipotentiaries on a code of conduct for liner conferences had been ratified by only 20 countries, all of them developing ones. His delegation therefore confirmed the views expressed in the report of the Trade and Development Board on the impact of invisibles on the balance-of-payments position of developing countries, and on the consequent need to increase international liquidity in general.

21. The avoidance of bottle-necks in the balance of payments of a number of developing countries was another problem the Board had considered. The problem could be solved by increased grants or loans from developed countries and international institutions, by instituting a grace period for the reimbursement of loans, either by mutual agreement between creditor and debtor or following arbitrary decisions by the latter or by retroactively reducing the interest rate and extending

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(Mr. Delivanis, Greece)

the reimbursement period, also by agreement or unilaterally. Increased grants and loans on very "soft" terms appeared to constitute the best alternative. He noted that according to certain estimates endorsed by the Group of 77, about 40 per cent of the deficit in the balance of payments of such countries in 1974/75 would have been avoided had all developed countries achieved the target of applying 0.7 per cent of their GNP to official development assistance.

22. In conclusion, his delegation noted with interest the special efforts that had been undertaken to accelerate the development of the island and land-locked States. Particular attention should be given to those countries where foreign invasion had taken place.

23. Mr. LAGERFELT (Sweden) said that the basis for international action on commodity policy should be an awareness of common interests and interdependence. Problems needed to be discussed, and, as matters stood, his delegation considered that solutions should be sought within the integrated programme for commodities. The ongoing preparatory meetings on individual commodities constituted the greatest effort so far made by the international community to negotiate commodity agreements, although the results to date had not been impressive. The common fund was crucial not only as a determining factor in the North-South political climate but in building the foundations for the whole integrated programme and Sweden would work actively to achieve its establishment when negotiations were resumed. A fund that functioned well would constitute a support in negotiating commodity agreements and should substantially improve the prospect of financing stocks, but it would have to be a relatively sophisticated banking institution.

24. Other long-term financing problems associated with commodities called, however, for concessional assistance. Although the World Bank and other institutions handled such problems, they could not adequately deal with global and regional projects involving a number of countries or products owing to their country-oriented approach. A "second window" in a common fund was therefore required. Sweden also welcomed the study on compensatory financing of shortfalls in the commodity export earnings of the poorest countries - an idea which it had long advocated. Measures to stabilize export earnings should be regarded, not as a substitute, but as a complement to efforts to stabilize markets.

25. With regard to the GATT multilateral trade negotiations, Sweden and the other Nordic countries had constantly stressed the importance of achieving results of real value to the developing countries. The Nordic countries realized that a continued liberalization of world trade was not enough without differential measures to provide special treatment for developing countries. Such treatment should not lead to permanent differentiation in rights and obligations between two categories of contracting parties, but the Nordic countries were prepared to seek a legal basis for more favourable treatment of the developing countries in every area under discussion in the multilateral trade negotiations.

26. If developing countries were to benefit from trade liberalization, they needed to have the capacity to utilize their new opportunities. One of the bottle-necks

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(Mr. Lagerfelt, Sweden)

in building up an industrial base in the developing countries was the lack of technological capacity, reflected in the fact that such countries contributed only about 2 per cent to world expenditure on research and development. The building up of independent national scientific and technological capacity required long and sustained efforts, the responsibility for which rested mainly with the Governments of developing countries. However, the international community should be prepared to assist such efforts, and his Government had taken a special interest in them. UNCTAD also had an important role to play, and Sweden supported its increased activities in that field since the fourth session and had contributed financial resources for certain projects. The preparation of a code of conduct for the transfer of technology was an important supplementary effort. It had not proved to be an easy task, and his delegation was concerned over the lack of progress and felt that a display of genuine political will was required. The code would have to be acceptable to those countries which were primarily technology exporters and to contain provisions to cover transfers of technology by commercial enterprises. His delegation therefore considered that it should take the form of guidelines.

27. Another important issue was the mounting debt problems of many developing countries. Sweden regarded UNCTAD as the appropriate forum for dealing with that question and hoped that the meeting of the Trade and Development Board at the ministerial level in March 1978 would produce results, particularly with regard to the official development assistance debts of the poorest countries. Writing off official development assistance debts, as his own country and a number of others had done, was useful, but indebtedness was a broader issue and his delegation attached equal importance to devising guidelines for future debt reorganization or consolidation operations. In the preparatory work for the ministerial meeting, use might be made both of the United States/European Economic Community proposals and of the proposals submitted at the Conference on International Economic Co-operation by the Group of 19.

28. In conclusion, he stressed that UNCTAD should continue to play an important role in international co-operation, since its secretariat had accumulated invaluable expertise over the years in its own field.

29. Mr. HORIUCHI (Japan) said that his Government had been actively participating in the consultations and negotiations to implement the various recommendations of the fourth session of UNCTAD. The economic stability and growth of both developing and developed countries was closely interrelated through the networks of trade and international finance and the international monetary system. His Government appreciated the active and constructive role played by UNCTAD, but ventured to suggest that it should adopt a realistic, less ambitious approach. It could best contribute to development by concentrating its efforts on international trade and related issues of international economic co-operation. The solution to current world economic problems had to be sought through economic growth as well as through the achievement of equity within individual countries and among countries.

30. His Government was following with particular interest UNCTAD's programmes on the development of economic and technical co-operation among developing countries

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(Mr. Horiuchi, Japan)

and on commodity agreements which took into account the interests of both producer and consumer countries. The establishment of a common fund would have an important bearing on international economic relations, and he hoped that the resumed negotiations would produce an agreement satisfactory to all parties.

31. Mr. CAPUÑAY (Peru) said that one of the most important issues for developing countries was their external indebtedness which inhibited their potential for growth. World inflation, by causing interest rates to rise, favoured creditors at the expense of debtors. To link the movement of interest rates to inflation, bearing in mind that increases in interest rates in industrialized countries set the pattern for interest rates on loans to developing countries, inevitably produced further disruption in those countries' development plans. For their economic growth, developing countries needed to mobilize domestic savings for capital formation, but their domestic savings capacity had been adversely affected by inflation and recession in the industrialized countries. In such a situation, the developing countries needed improved access to external sources of development finance, but financing agencies, regrettably, regarded external savings as a means of earning profits and not as an instrument of development.

32. In fact, the burden of debt-serving was not only impeding the current development plans of developing countries but was compelling them to mortgage their export earnings for many years ahead. Accordingly, there should be a substantial concessionary element in the debts contracted by developing countries and interest rates should be adjusted to their needs and possibilities.

33. One of the conclusions in the report of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries, submitted to the ninth special session of the Trade and Development Board (A/32/15, vol. II), was that the international community should adopt measures of debt relief since the existing mechanisms were inadequate. It was to be hoped that the same spirit would prevail at the ministerial meeting in 1978. His delegation supported the view expressed by the spokesman for the Group of 77 that the Intergovernmental Group of Experts should work out specific proposals on which the ministerial meeting could take a political decision and also define the scope of further negotiations within UNCTAD.

34. The external indebtedness of developing countries was closely linked to the liberalization of international capital markets and the reform of the monetary system. As matters stood, private capital markets lent to countries with sound economies, rather than to countries that needed loans. The link between loans and direct private investment should be reduced, since it served to increase economic dependence. The high interest rates and short repayment periods common in private capital markets caused a serious imbalance in the economies of developing countries as they became increasingly dependent upon such sources of credit and were compelled to turn to refinancing. Joint financing by international financial institutions and private institutions should be based on greater accessibility of private capital markets, together with greater use of secondary markets to handle developing country securities. There should be a strengthening of the role of bond markets as a stable and regular source of medium- and long-term capital for developing countries, with an easing of the balance-of-payments requirements and the quantitative limitations on bond issues.

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(Mr. Capuñay, Peru)

35. The transfer of technology should be primarily directed towards the promotion of integrated plans for industrial and technological growth and should be complementary to the building up of indigenous technology in developing countries. Greater political will should be demonstrated in the work of drawing up an international code of conduct for the transfer of technology, which was an essential component of the establishment of a new international economic order.

36. The third world countries were eagerly awaiting the resumption of negotiations on the establishment of a common fund for the integrated programme for commodities. They knew that it was technically feasible and would lead to better functioning of international commodity agreements by stabilizing prices. It also represented a substantial step towards establishing a new international economic order. UNCTAD was the appropriate forum in which to negotiate individual commodity agreements, and to that end its machinery and resources should be strengthened.

37. Mr. LOHANI (Nepal) said that rapid deterioration in the terms of trade of developing countries lent increasing urgency to the need to stabilize commodity prices and the export earnings through international commodity agreements and a common fund. His delegation hoped that the negotiations on the fund would produce favourable results, as it was generally recognized that agreement on the commodity question would mark a watershed in negotiations on other issues related to international trade and development finance.

38. His delegation hoped that at its first ministerial session the Trade and Development Board would evolve a comprehensive solution to the mounting debt problems of developing countries and that progress would be made on the draft code for the transfer of technology. It regretted that little progress had been made in the multilateral trade negotiations in GATT on the reduction of the trade barriers imposed by developed countries. The generalized preference schemes were disappointing because of the limitations on product coverage, ceilings and rules of origin; to be globally effective, the schemes should include exports of primary products from developing countries.

38a. Significant progress had yet to be made in international monetary reform and development finance, and in meeting the demand of developing countries for a link between the creation of special drawing rights and the provision of additional development finance.

39. Since the rate of economic growth in the least developed and other low-income countries was virtually stagnant, it was regrettable that the resolutions on special measures in favour of the least developed countries adopted by UNCTAD and other international bodies had not been fully implemented. In view of the magnitude of problems faced by the least developed countries, a substantial increase in the flow of resources to them was essential, with emphasis on grants and concessional loans. It was noteworthy that the Conference on International Economic Co-operation had reached agreement on the need for a substantial increase in the volume and quality of official development assistance.

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(Mr. Lohani, Nepal)

40. His delegation was glad of the active interest UNCTAD was taking in the problems of the least developed countries, as instanced by the convening of a series of meetings at the level of experts, by the work of the Intergovernmental Group and by the organization of a special unit within the secretariat. It hoped that the new unit would lead to increased efficiency in the delivery of the special programme for the least developed, land-locked and island developing countries. Many of the least developed countries were also land-locked or island countries, and their special problems had been recognized in numerous international and regional forums. Nepal's attempts at trade diversification, for example, had been severely hampered by its land-locked position. He therefore urged UNCTAD to undertake more concerted efforts to solve the transport problems of the land-locked developing countries; one gratifying development was that the UNCTAD secretariat was carrying out the initial pilot costing studies called for in resolution 98 (IV). It was regrettable, however, that the first Pledging Conference for the United Nations Special Fund for Land-locked Developing Countries had failed to evoke a positive response from the rich developed countries and other potential donors.

41. The right of free access to and from the sea and the right of freedom of transit were of paramount importance to land-locked developing countries, and so long as those rights were not recognized by coastal countries, recommendations and suggestions regarding promotional freight rates and other trade concessions would be of little significance.

42. His delegation reiterated its support for UNCTAD. It believed that UNCTAD should be further strengthened and given the resources it required to fulfil its mandate more effectively. His delegation attached considerable importance to economic co-operation among developing countries, and welcomed the establishment of the UNCTAD intergovernmental committee on that subject; it hoped that the studies being undertaken by UNCTAD in that area would be beneficial to developing countries.

The meeting rose at 5 p.m.