



SECOND COMMITTEE
16th meeting
held on
Wednesday, 17 October 1984
at 10.30 a.m.
New York

SUMMARY RECORD OF THE 16th MEETING

Chairman: Mr. KAABACHI (Tunisia)

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The meeting was called to order at 10.45 a.m.

AGENDA ITEM 80: DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION (A/39/3 (Part I), A/39/56, 71, 88, 95, 110, 118, 126, 131 and Corr.1, 133, 187, 226, 236, 269, 302, 303, 304, 314, 323, 331, 448, 495, 536, 554; A/C.2/39/3 and 4)

- (d) INDUSTRIALIZATION: REPORT OF THE INDUSTRIAL DEVELOPMENT BOARD (A/39/16, 301, 376; ID/CONF.5/46);
- (f) FOOD PROBLEMS (A/39/19, 270);
- (g) ECONOMIC AND TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES: REPORT OF THE SECRETARY-GENERAL (A/39/154 and Corr.1, 408);
- (i) ENVIRONMENT (A/39/25, 132, 432, 433, 580);
- (j) HUMAN SETTLEMENTS (A/39/8, 233, 295, 347, 356, 547; A/C.2/39/7);
- (l) UNITED NATIONS SPECIAL FUND;
- (m) NEW AND RENEWABLE SOURCES OF ENERGY: REPORT OF THE COMMITTEE ON THE DEVELOPMENT AND UTILIZATION OF NEW AND RENEWABLE SOURCES OF ENERGY (A/39/44);
- (o) IMMEDIATE MEASURES IN FAVOUR OF THE DEVELOPING COUNTRIES: REPORT OF THE SECRETARY-GENERAL (A/39/398);
- (p) DEVELOPMENT OF THE ENERGY RESOURCES OF DEVELOPING COUNTRIES: REPORT OF THE SECRETARY-GENERAL (A/39/420);

STATEMENT BY THE SECRETARY-GENERAL OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

1. Mr. COREA (Secretary-General of the United Nations Conference on Trade and Development (UNCTAD)), referring to the Trade and Development Report 1984 (UNCTAD/TDR/4, vol. I and II), underscored the importance of the recovery, which had been expected, in certain industrialized countries, in particular the United States. As stated in that fourth report, the United States economic recovery had been stronger than anticipated. Nevertheless, an analysis of the trends of and prospects for the world economy indicated that the turnaround in the United States still affected only in part most European countries where, despite an increase in growth rates, unemployment continued to hold sway. It also seemed that, to a certain extent, the recovery was reaching the developing world, but the economic upturn there was still very weak. The countries of the third world as a whole had shown negative growth in 1983; in 1984, there seemed to be signs of an upswing, and an acceleration of that process was expected in 1985. After years of sluggishness, those forecasts were welcome. However, it could not be inferred that the development process was on the threshold of a new era. Sufficient proof of

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(Mr. Corea)

that was the fact that commodity prices remained depressed and interest rates prohibitive, that protectionism was taking its toll and that nothing pointed to a substantial increase in capital flows to the developing countries.

2. The fundamental recommendation of the sixth session of UNCTAD, which remained entirely valid, had been recovery together with development. But for those two factors to combine effectively, it was necessary to adopt specific measures, in particular to increase financial flows, and to broaden, strengthen and stabilize markets. In that connection, a series of impasses had been reached, but there seemed to be renewed interest in a serious dialogue on issues focusing on the interplay of problems and their interdependence. The decision taken by IMF and the World Bank to convene a meeting of the Interim Committee and the Development Committee in the spring of 1985 must be viewed from that perspective. That spirit had also prevailed in the Trade and Development Board at its most recent session and consultations had been held on convening a meeting of the Board at the ministerial level in the autumn of 1985.

3. A great deal had to be done and, for its part, UNCTAD had already addressed a number of problems, among them those of Africa and in particular those of the least developed countries, and had focused its attention on the need to increase commodity prices and cancel the debt of the most seriously affected countries, pursuant to resolution 165 (S-IX), adopted in 1978 by the Trade and Development Board and entitled "Debt and development problems of developing countries". With regard to indebtedness, UNCTAD had adopted, on the basis of a consensus, a set of guidelines for the rescheduling of public and publicly guaranteed debt and had closely monitored the application of those guidelines in recent agreements concluded on the subject. In 1985, the Committee on Invisibles and Financing related to Trade would meet to examine a wide range of monetary and financial questions, including external debt.

4. A number of studies had shown that the current crisis, far from being purely cyclical, was related to basic structural imbalances. In order to find new approaches, it was henceforth necessary to enumerate and analyse the long-term underlying forces. Recent experience should be conducive to that task, just as the depression of the 1930s had brought about reflection and promoted the establishment of institutions in the post-war period.

5. One of the lessons taught by the recent crisis was that there was a close link between immediate, short-term economic performance, at both the national and global levels, and the long-term growth process. The recession of the early 1980s had come in the aftermath of a decline in growth in the 1970s, when many harbingers of the crisis had appeared. It was again necessary to raise questions about the means of ensuring long-term growth and the mechanisms to be incorporated in the system to achieve that end. But projections were hardly reassuring. Most analysts forecasted a recovery in the industrialized countries, but considered that it would be less rapid and sound than in the 1950s and 1960s when, in one way or another, it had eventually managed to make itself felt in the developing countries. What then were the current forecasts for the third world?

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6. The system established at Bretton Woods and in the Havana Charter had been based on a consensus: that full employment and stability must be ensured. Recent experience had shown that it was impossible to ensure stability without growth. It was therefore time to find common ground once again, to seek a "new consensus for development", which would make it possible for the international system, at the monetary, financial and commercial levels, to respond immediately to the urgent need for growth. Many seemed to support that idea, which was encouraging, but what was needed was not just agreement on the major development problems but a concerted effort to establish mechanisms to be incorporated in the institutions. Neither the time nor the place was appropriate for discussing in detail what such a consensus implied, but key questions immediately came to mind: how to channel financial flows to sustain development, in particular that of the developing countries, in view of the decline in bilateral assistance and the fact that, in the near future, the private banking sector could not be expected to play the role that it had played in the 1970s; what could be done to enable the trade system to bolster the world economy and the process of structural adjustments and to meet the need to accommodate newcomers in international trade?

7. In 1984 UNCTAD had celebrated its twentieth anniversary, which had been an occasion for reflection about its past achievements and future challenges, but also about the present. It was currently making vigorous efforts to implement the Integrated Programme for Commodities. Even though the recession had made it difficult to negotiate new commodity agreements or renegotiate others, it was none the less pursuing its efforts. Thus it had succeeded in concluding agreements on rubber, jute and tropical timber and remained hopeful regarding the renegotiation of the International Sugar Agreement. A conference was under way in Geneva to renegotiate the Cocoa Agreement. No effort had been spared to ensure the entry into force of the Agreement Establishing the Common Fund for Commodities, which 82 countries of the 90 required had already ratified. It was also necessary, in order to reach the two thirds of the required capital subscriptions, for the United States and the USSR, or at least one of the two, to ratify that Agreement. They were urged to do so as soon as possible.

8. UNCTAD was also closely following the question of establishing additional financial machinery to supplement the compensatory financial machinery which alleviated the deficits in export earnings. A group of experts had already met twice for that purpose. Pursuant to a mandate which had been conferred upon it in Manila and Belgrade, the Conference was studying the processing and marketing of primary commodities. In the field of maritime transport, it had started negotiations on free registration and had recently held an extremely useful meeting on maritime legislation. A meeting was in progress in Geneva on co-operation among developing countries for establishing a global system of preferences. The course of the negotiations concerning an international code of conduct on the transfer of technology and the development aspects of the reverse transfer of technology continued to attract attention, as did, within the trade context, the problem of protectionism and structural adjustments and the place of services in international trade. UNCTAD was making active preparations for considering the implementation of the Substantial New Programme of Action for the 1980s for the Least-Developed

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Countries. The Trade and Development Board had taken new initiatives with respect to trade between countries with different social and economic systems, but UNCTAD, conscientiously carrying out its mandate, was also making efforts to increase its effectiveness. Its Secretary-General emphasized in that connection that in his view a convergence of views on the problems of substance was indispensable. There could be no more reliable way of galvanizing the multilateral negotiations in progress.

STATEMENT BY THE EXECUTIVE DIRECTOR OF THE WORLD FOOD COUNCIL

9. Mr. WILLIAMS (Executive Director of the World Food Council), reporting on the conclusions of the tenth session of the World Food Council held in Addis Ababa from 11 to 15 June 1984, stated that at the session significant advances had been noted in agricultural research and technology which, along with increased investment, had contributed to higher food production in most regions. Nevertheless, even though the world food supply was abundant, hundreds of millions of people remained chronically hungry and real progress towards eradicating hunger had been poor over the decade. The crisis in Africa, which had the largest number of hungry people relative to total population, highlighted the need for extraordinary efforts by African Governments and the world community to reverse long-term trends of declining per capita food production. The global food situation had become more complex, interrelated and in some ways more precarious. Despite a significant expansion of international food trade over the past decade, international financial and commodity markets had become less stable and reliable. Reduced trade earnings and burdening debt problems had undermined food and development objectives. Moreover, the inward-looking agricultural policies of major developed countries had depressed market conditions and reduced agricultural trade opportunities. Overall, the Council had concluded that the problem of feeding the world's expanding population (there were in 1984 nearly a billion more people to feed than in 1974) was not due to the technical inability to produce enough food for all, but to the political and economic constraints on a more effective sharing of available supplies and of the earth's bounty. Since man could solve the problem of hunger, the Council had reaffirmed that hunger could be eradicated by the year 2000 and that what was required for that purpose was an intensification of efforts to tackle the political, economic and institutional barriers. For their part, the Ministers of the States members of the World Food Council had committed themselves to a more concerted campaign directed to achieving that end.

10. The World Food Council had been mandated to provide sustained political impetus towards a more balanced world food economy with food self-reliance and security for all.

11. The Ministers of the States members of the Council had succeeded in keeping food issues high on the global agenda. In their recommendations for co-ordinated action, they had projected an integrated approach which combined effective application of improved technology, correct incentive policies and adequate resource mobilization. The Council had taken a strong lead in asserting that resources must be available to help developing countries realize their self-defined

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(Mr. Williams)

food production and consumption objectives. Initially, the Council had the principal role in raising funding for the International Fund for Agricultural Development (IFAD), and it was through Council impetus that donor Governments had agreed to double in real terms the level of official assistance to the food sector. Recent Council initiatives had been to maintain the investment momentum. Among its policy initiatives, perhaps the most significant had been the adoption of national food sector strategies now widely accepted as essential to the process of political and economic development. In the area of international food policy, World Food Council had pioneered in building the political support for a more adequate Food Aid Convention and for a cereal financing facility. However, the Ministers of the States members of the Council who had met in Addis Ababa, deeply concerned with the inadequacy of overall progress and with how much remained to be accomplished, had identified priorities for intensified action in the years ahead.

12. The Council considered that food and agricultural development had become even more crucial for many developing countries than in the past. Their overall economic growth could best be accelerated by a combination of more autonomous cultural development with selective and flexible export policies. In particular, enhanced food production and its more effective distribution provided a widely beneficial stimulus to internal economic development.

13. Successful national food strategies must be backed up with policies for broadly based income and employment opportunities for low-income groups and, where necessary, special nutrition interventions. The Council had underlined the critical role of incentive policies to benefit producers without placing impossible hardships on poor consumers. It had further stressed the importance of co-operatives and the building of agricultural institutions and services which blended modern management practices with traditional methods, as well as the adoption of reforms for encouraging the broader participation of rural people in development efforts.

14. Deeply concerned with the need for concerted international action to help African countries overcome their food crisis, the Council had decided to give priority to Africa in its future work. It had affirmed that the continent's food problems were the more visible part of a deeper crisis and that urgent emergency food efforts must be pursued within a broader economic and social context. It had underlined the importance of integrating relief with medium-term food strategy measures and the longer-term development objectives of the Lagos Plan of Action. It would help to ensure that the well-defined national food strategies and programmes of African countries and the priorities they had set themselves for policy adjustments would receive adequate support.

15. The Council had noted that international agencies had been at the forefront of technical and financial assistance for food and agriculture during the past decade. They had accorded a higher priority to that sector than had bilateral assistance agencies and had taken the lead in promoting measures to reach chronically hungry and deprived people. The Council had also acknowledged the substantial contribution of non-governmental organizations.

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(Mr. Williams)

16. According to the detailed assessment of multilateral resource flows for food and agriculture (WFC/1984/9) carried out by the World Food Council at the request of the Economic and Social Council in its resolution 1983/77, since 1974 more than one half of all assistance for food and agriculture had been channelled through multilateral agencies. Resource flows through the United Nations system had increased from 1974 to 1982 at the impressive rate of 13.7 per cent annually in real terms. Over that period, growth rates had been highest in production-related areas such as agricultural credit, while the resource share of direct food consumption and nutrition measures had declined. That supported the conclusion that issues of more equitable access to food required more emphasis in the future.

17. The Ministers of the States members of the World Food Council had been concerned with the need for better co-ordination of multilateral as well as bilateral assistance and for improving its overall effectiveness. Ministers had also emphasized the important impact of the international economic environment on the development and export earnings of developing countries. They had called on all countries to refrain from creating tariff barriers to agricultural trade. Exporting countries should limit export subsidies and similar practices which might hinder trade, especially that of developing countries.

18. The World Food Council had reaffirmed the important link between peace, disarmament and food security and development. It had also reaffirmed that food should not be used as an instrument of political pressure. In that regard, the majority of its members had requested the re-establishment for Nicaragua of its sugar quota.

19. The Council had been deeply concerned that, after an auspicious period, financial assistance to the food and agriculture sector had, since 1982, been declining. The IDA replenishment (\$US 9 billion) did not permit significantly increased assistance to low-income food-deficit countries, particularly in Africa. The World Bank and UNDP should provide special additional assistance to those sectors. A large number of Council members had called on countries members of IFAD to fulfil their past pledges and to announce their contributions for the second replenishment.

20. There had been a general consensus in the Council that there was a need for more aid to the food and agriculture sector and, in particular, to investment for food strategy implementation in low-income countries. In those terms it had broadly supported the proposal for increased assistance to those sectors of about \$US 1 billion annually for five years beginning in 1986. Such assistance, channelled through existing agencies and programmes, would be in addition to currently agreed commitments.

21. The CHAIRMAN asked if any delegations had questions to put to the Secretary-General of UNCTAD and the Executive Director of the World Food Council.

22. Miss OSSAKEDJOMBO NGOUA (Gabon) asked the Secretary-General of UNCTAD to clarify what he meant by "new consensus for development".

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23. Mr. COREA (Secretary-General of UNCTAD) said that it would be a kind of counterpart to the consensus that had emerged after the Second World War and had become a time-honoured practice in the institutions established at that time. IMF and many components of the international trade system had, in fact, been designed to contribute to the primary political goal of the post-war Governments, that of maintaining full employment and preventing external factors from undermining the effort to do so. At the present time, the main stress should be on development in the sense of world economic growth without, however, abandoning the goal of full employment. The achievement of the latter depended, in fact, on that of the former. The international monetary and financial institutions should promote growth while encouraging stability. It was difficult to specify how Governments could reach such a consensus, but it could already be said that the problem of channelling resources should be re-examined and the trading system designed so as to sustain growth.

24. Mr. HAYFORD (Ghana) asked the Secretary-General of UNCTAD to state what, in his view, were the implications of the decision recently taken by IMF and the World Bank to convene the Interim Committee and the Development Committee early in 1985 for the purpose of examining the debt question and related problems, particular account being taken of the efforts made to hold an international dialogue on the subject.

25. Mr. COREA (Secretary-General of UNCTAD) said that that decision no doubt marked a beginning of renewed interest in constructive dialogue on interrelated problems. However, all international institutions and organizations, each in its own sphere of competence and in the light of its own mandate, particular perspective and composition, should play a role and serve as a framework for an exchange of ideas. UNCTAD was already promoting such scrutiny and it had been the topic of the most recent session of the Trade and Development Board.

26. Mr. PEREZ-GUERRERO (Venezuela) asked whether the present economic recovery in the United States and other countries could have a real influence on raw material and commodity prices and spread to the developing countries. There had been erratic price fluctuations which would not have taken place if the Integrated Programme for Commodities had been implemented and if the Common Fund for Commodities had already been in operation.

27. Mr. COREA (Secretary-General of UNCTAD) said he felt that the effects of the present recovery on the development process would be too attenuated for developing countries to achieve a growth rate sufficiently high to enable them to solve their problems.

28. With regard to commodity prices, economic recovery often helped to strengthen the market and boost prices since it stimulated demand. The increase in commodity prices noted at the end of 1983 and the beginning of 1984 had not continued, at least in some cases, for a number of reasons. The recovery had not yet spread to all the industrialized countries and had not always been reflected in heavier demand for commodities. Moreover, the continued high level of interest rates had depressed the raw materials market, inventory build-up having become too costly.

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Longer-term forces had also contributed to stagnation in demand for commodities in general and for industrial raw materials. Substitute products had been used and investment in production had become rare. There remained an urgent need for efforts at the international level. It was certainly true that, if the Integrated Programme for Commodities had been implemented, if the Common Fund had been operating and if more commodity agreements had been concluded, the situation would have been appreciably better and the position of producing countries would have been less vulnerable.

29. Mr. KITIKITI (Zimbabwe) said that, at the time the international monetary and financial institutions had been established, the consensus on full employment had been complete, whereas current inflation and public expenditure were the principal concern of the capitalist Governments and the role of the State was more and more coming under attack. He wondered whether, in such circumstances, it was possible to reach a consensus for development.

30. Mr. COREA (Secretary-General for UNCTAD) pointed out that a consensus for development could not be reached simply by stimulating demand in order to increase growth. Structural adjustments and modifications would have to be made. It was difficult to reply to the question because of present controversy over national policies and the play of market forces. Nevertheless, the idea of a consensus for development reflected the interests of all countries and not just of the developing world. Stagnation in the developing countries over the next 20 years would have serious repercussions on the momentum of the world economy and of the industrialized countries. The developing countries were, in fact, destined to play an increasingly important economic role. Growth was also essential for the industrialized countries which had suffered from inflation and recession linked with the downturn in the economy from the 1970s onwards. The consensus for development was a world-wide need. It was not simply a matter of increasing co-operation and seeking a better response to the needs of developing countries within the framework of a North-South dialogue; it was also necessary to scrutinize all the institutional mechanisms - monetary, financial and commercial.

The meeting rose at 12.15 p.m.