

United Nations
GENERAL
ASSEMBLY

FORTY-SECOND SESSION

Official Records*



SECOND COMMITTEE
4th meeting
held on
Wednesday, 7 October 1987
at 10 a.m.
New York

SUMMARY RECORD OF THE 4th MEETING

Chairman: Mr. OUDOVENKO (Ukrainian Soviet Socialist Republic)

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The meeting was called to order at 10 a.m.

GENERAL DEBATE (continued)

1. Mr. JØNCK (Denmark), speaking on behalf of the States members of the European Community, assessed the current economic situation and highlighted the major short-term challenges. The interdependence of all economies was increasingly evident, and it was growing continually with the internationalization of economic activities. The expansion of world trade, international investments and liberalized capital movements were all factors that extended to the entire world economy the effect of crises or difficulties affecting any one of its parts. The pursuit of national interests did not always produce satisfactory results in the long run, so that all countries had to reconcile their national interests with the implications of interdependence. The European Community proved by its very existence that the twelve European countries it comprised were aware of that interdependence; thus their commitment to an open multilateral trading system showed their common desire to see the world economy develop harmoniously. The Community was the second largest importer of developing countries' products and the largest importer of agricultural products. The Lomé Convention and a number of bilateral agreements between the Community and the developing countries constituted the specific framework for its co-operative relations with most of those countries. It rendered a third of global development assistance.

2. The industrialized countries broadly acknowledged that concept of interdependence, and were co-ordinating their economic policies in several multilateral bodies. Thus the Louvre Accord (February 1987) attested to the wish of the major industrialized countries to co-ordinate their economic policies, achieve more stable relations between their currencies and reduce existing imbalances. The surplus countries had committed themselves on that occasion to strengthening domestic demand and reducing external surpluses while maintaining price stability. At the same time, deficit countries had committed themselves to encouraging low-inflation growth while reducing their domestic and external imbalances. Subsequently, at the Venice Summit, a further step towards co-ordination of economic policies had been taken by strengthening the existing arrangements for multilateral surveillance. Finally, in order to help stabilize the exchange rate, the countries of the Community had also agreed to strengthen the European Monetary System.

3. Another encouraging event in 1987 had been the adoption by consensus of the Final Act of the seventh session of the United Nations Conference on Trade and Development, in that the 140 participating countries had agreed on a common assessment of the economic trends and their policy implications, as well as on approaches and measures to deal with issues such as resource flows, commodities, international trade and the situation of the least developed countries. The recent meetings of the International Monetary Fund (IMF) and the World Bank had also confirmed the need for a coherent approach to world economic problems. The results of co-ordination did not materialize, however, without a certain time lag. Hence caution was required in assessing the effectiveness of that policy. The situation

(Mr. Jónck, Denmark)

could be presented in a favourable or in an unfavourable light: if industrialized countries were often overly optimistic and developing countries overly pessimistic, it was because the former saw the glass of water as half full and the latter as half empty.

4. The world economy was currently in its fifth year of expansion after the recession of 1981-1982, but the rate had decreased, particularly in the industrialized countries. While the trend in the past 12 months had been disappointing, certain recent developments seemed rather positive. Inflation had declined considerably in the industrialized countries, and, in 1986, in a number of developing countries. Exchange rates had been adjusted, and now better reflected economic realities. Interest rates had come down considerably, although real interest rates had remained high. In volume terms, the adjustment of external imbalances was under way, although in nominal terms imbalances remained a matter of concern. In many developing countries growth-oriented adjustment programmes were beginning to yield results, and the rapid output growth in many non-fuel-exporting countries in 1986-1987 was also encouraging.

5. However, there were also reasons for concern. Growth rates had been weakening in both developed and developing countries, a trend which however masked considerable divergences between countries (some countries had even been exposed to decreasing GNP per capita). Persistent low prices for many commodities and excessively slow growth in demand had depressed the export income of many developing countries. The debt continued to be a major problem. Debt ratios and debt-service ratios had increased, along with a decline in real terms in the total flow of financial resources to developing countries. Protectionist pressures had intensified. The budget and external imbalances of certain major industrialized countries had been more persistent than expected, and were potentially destabilizing. Unemployment in many major industrialized countries, particularly in Europe, took a heavy toll on those affected as well as on Government budgets. The conclusions to be drawn were co-ordination of international policy in the economic field must be further intensified, and that commitments undertaken must be wholeheartedly implemented. Finally, further action was required in four interrelated areas.

6. First of all, economic growth must be maintained and strengthened. A growth of 2.5 per cent in developed countries was not enough to sustain growth in most developing countries or to bring down the unusually high unemployment rates in developed countries other than the United States. The Louvre Accord and the Venice Summit attested to the industrialized countries' commitment to achieve stronger and sustainable non-inflationary economic growth and to take additional action if expectations did not materialize. That pledge was particularly important since those countries could not expect a new stimulus stemming from a fall in oil and other commodity prices. Monetary policy must play a part in that co-ordination. A stable monetary system was important for sustainable growth and the progress made since the Louvre Accord should be welcomed. An enhanced use of economic indicators in the surveillance of the major industrialized countries' economies would be helpful in highlighting the interaction of international economic policies. The

(Mr. Jønck, Denmark)

indicators should promote a common perception of the world's economic situation. With regard to adjustment policies, important and courageous measures had been taken in many developing countries, and sustained growth seemed to be under way in a number of them. Others, however, had had difficulty in pursuing such adjustment efforts, which were not easy to sustain because of their high social costs. He welcomed the increased attention given to the social costs of adjustment, as for example by IMF and the World Bank at their recent annual meeting. The burden of adjustment must be shared by all social groups and to that end the developing countries must receive increased resources, together with highly concessional terms for the poorest among them.

7. Secondly, the major industrialized countries had to deal more effectively with their external and budgetary imbalances, which persisted in spite of the numerous measures taken to correct them. Correction of the factors responsible would be a long and difficult process. The situation appeared, however, to be moving in the right direction, and it was imperative to promote that process before such imbalances were reflected in major distortions in the international commercial and financial system. Exchange rate changes alone would not solve the problem. On the contrary, further substantive changes in exchange rates between the major currencies could prove counterproductive to efforts to increase growth. Protectionist measures might serve as a simple palliative for some sectors experiencing difficulties, but they would ultimately prove too expensive not only for the domestic economy, but also for other countries. There must be a gradual and significant reduction in the United States budget deficit. That process had already started, but it must go on. At the same time, it was important that domestic demand should grow at a faster rate than GDP in countries with strong external surplus positions and price stability. Some of the other developed nations and certain newly industrialized countries might have room for manoeuvre, which should promote a more rapid growth in imports.

8. Protectionism was a third area of concern. Developments in the Uruguay negotiations were certainly encouraging, but much effort would be required to maintain the momentum in order to produce results on schedule, in other words, by the end of the 1990s. The European Community believed firmly in an open multilateral trading system, and was therefore taking an active part in the negotiations. A further liberalizing of international trade, particularly in the service sector, on the basis of balanced rights and obligations, would be in the interest of all concerned. The Community countries were very concerned that fresh protectionist pressures were making themselves felt while the trade negotiations were still in progress. It was vital to abide by the commitments entered into at Punta del Este with regard to standstill and roll-back arrangements. With regard to international trade in agricultural products, one of the more sensitive issues, all countries were responsible to some extent for the existing situation. However, the European Community reaffirmed the commitment it had made at the ministerial-level meeting of the Organization for Economic Co-operation and Development (OECD), held in May 1987, with regard to the progressive, balanced and flexible implementation of a concerted reform of member States' agricultural policies.

(Mr. Jónck, Denmark)

9. Fourthly, the debt strategy must be strengthened. Some results had been achieved, but the basic problems remained. It had become evident that it would take considerably longer to resolve the debt problem than had been originally envisaged. The low-income sub-Saharan African nations and the middle-income debtor countries were facing different problems. The economic conditions of the former were so severe that they called for special measures to be taken urgently on a case-by-case basis. Success would also depend on the creation of a more favourable economic climate and on the pursuit of growth-oriented adjustment policies by the debtor countries themselves. In addition, external financial assistance was required, and that had to be mobilized from a variety of sources. There had, however, been some favourable developments in the sub-Saharan African countries: debt relief, including conversion of ODA debt to grants, had been allowed by certain creditor countries to assist some of the poorest debtors. Deliberations within the Club of Paris had on occasion resulted in longer repayment and grace periods in rescheduling of official debt. The Managing Director of IMF had proposed a substantial increase in the resources of the Fund's structural adjustment facility, a proposal welcomed by the Community. As part of a special programme of assistance for the heavily indebted low-income countries, the World Bank had made a proposal, discussed within the Club of Paris to apply concessional interest rates on existing official debt following rescheduling. The middle-income debtor countries, particularly those of Latin America, had had difficulty in raising further external financial resources. While the multilateral financial institutions had responded by increasing their support for adjustment policies, those institutions needed to be provided with the necessary resources and instruments if they were to play a pivotal and catalytic role.

10. Private capital flows to the indebted countries, especially bank loans, had declined considerably, however. The commercial banks' portfolio was already highly exposed because of the difficulties experienced by the debtor countries, and they would only be able to resume lending at a more normal level if the credit-worthiness of those countries was restored. Lending by commercial banks had to be mobilized effectively and, in that connection, the Community was encouraged by innovative approaches such as the "menu" of financial options offered to the developing countries. Official Development assistance (ODA) would continue to play a decisive role for very many of those countries, particularly the poorest of them. As far as the latter were concerned, ODA provided the only means of access to external financial resources. It was important, therefore, for ODA to reach the targets of 0.7 per cent of GDP, and of 0.15 per cent for aid to the least developed countries. The Community welcomed the reference to the first of those figures in the statement issued at the end of the Venice Summit.

11. Lastly, he questioned whether the general debate of the Second Committee was sufficiently distinct from the discussions of other bodies, such as the United Nations Conference on Trade and Development, the Economic and Social Council and even the plenary Assembly. He wondered how the debate could be made to have some impact on international economic negotiations. No satisfactory answer had yet been given to those questions. However, he hoped that they would be discussed by the Special Commission of the Economic and Social Council on the In-Depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields.

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12. Mr. YOLAH (Nigeria) said that, although the world economy had entered its fifth year of recovery from the recession of 1980-1982, expansion had been sluggish. Interest rates, already high in absolute terms, were continuing to rise, while the flow of resources to the developing countries was still inadequate. Trade initiatives, such as the adoption of the Punta del Este Declaration, had raised high expectations, but hopes had soon been dashed as trade disputes escalated and protectionist policies were applied in respect of some products of third world countries.

13. Primary commodity prices had fallen, in some cases, to the levels prevailing in the 19.0s, the result being that in 1986 the terms of trade for the developing countries as a whole had declined by 30 per cent, equivalent to a loss of \$US 29 billion. According to the World Economic Survey, if the loss of income suffered by the oil-exporting developing countries were taken into account the total loss suffered in 1986 would be \$US 94 billion. It was encouraging, however, that in the same year a number of countries had signed or ratified the Agreement Establishing the Common Fund for Commodities, which meant that that Fund could soon become operational. The achievements of the seventh session of the United Nations Conference on Trade and Development had opened the way to further multilateral economic co-operation, but full implementation of the Final Act would be dependent on the political will of all countries.

14. The debt problem was a major obstacle to growth and development in a large number of developing countries. Many debtor countries had been unable to devote adequate resources to the productive sectors of their economies and had been obliged to curtail their expenditure on social services, particularly on health and education. That had led to a fall in living standards, and there was reason to fear that those trends were a threat to development. Under the current debt-settlement strategy the industrialized countries were expected to help the countries of the third world to achieve steady growth and to open their markets to those countries so as to enable them to increase their exports and, consequently, their debt-servicing capacity. However, that approach had not yielded the desired results: although the debtor countries had pursued rigorous and often politically dangerous adjustment policies, neither their exports nor the resources from commercial banks had increased. It was therefore necessary to redesign the strategy in order to take account of the need for growth. Even though the seventh session of UNCTAD and the recent annual meetings of IMF and the World Bank had shown that new approaches to the debt problem were being considered, it nevertheless remained true that, without a resumption of commercial-bank lending, an increase in official development assistance and a rise in commodity prices, such relief measures as debt-for-equity-swaps would not alone be sufficient to promote recovery and development. It was clear that, apart from the agreement to negotiate a general increase in the capital of the World Bank and to carry out a comprehensive examination of adjustment programmes, little progress had been made in dealing with the problems of debt and resource flows. It was, however, necessary to emphasize the importance of the proposals to establish a ministerial group to consider the debt problem, to triple the resources available to the IMF Structural Adjustment Facility, to write off debt and reduce interest rates for low-income countries and to create a ministerial committee to examine proposals for reform and improvement of the international monetary system.

(Mr. Yolan, Nigeria)

15. Thus far, structural adjustment and increased participation on the part of the private sector had been prescribed as a panacea for all the economic ills of the developing countries; Africa was the major testing ground for that policy. Accordingly, no less than 28 countries had adopted programmes of structural adjustment - with particular emphasis on the reduction of public expenditure and subsidies, the mobilization of domestic resources and the adjustment of exchange rates - which had indeed led to a certain adjustment in favour of rural areas, a reduction in non-essential imports, and an increased use of local raw materials. Nevertheless, external factors had impeded economic recovery and, in certain cases, gross domestic product had actually declined. Furthermore, the terms of trade for Africa as a whole had deteriorated by some 32 per cent in 1986 as a result of commodity-market fluctuations, representing about 5 per cent of their GDP. The situation with respect to flows of external resources to Africa had remained unsatisfactory in 1986, to the extent that Africa's financial needs were far greater than the official aid received. The lesson to be learned from Africa's experience of structural reform was that it was not really possible to promote growth and development in the absence of a favourable international economic environment. There appeared to be a growing recognition of that fact, and it was to be hoped that efforts would be made to implement the vital reforms.

16. Mr. LABERGE (Canada) said that the world economic situation had continued to improve over the past year: inflation and interest rates had declined, exchange rates were more stable, the prices of certain commodities had recovered somewhat, and prospects for the future were encouraging, the anticipated growth rate for 1988 being between 2.5 per cent and 3 per cent for the industrialized countries and between 3.5 per cent and 4 per cent for the developing countries. Furthermore, consensus was beginning to emerge on the question of resource flows and debt-relief measures for the poorest countries, while the Uruguay Round allowed room for hope that it would be possible to counter the effects of growing protectionism.

17. Of the many subjects to be addressed by the Second Committee, none affected economic prospects so much as those of world trade and multilateral trade negotiations. The liberalization of trade was the key to giving countries the potential to maximize the development of their resources, and Canada was pleased to note the participation of developing countries in negotiations on that subject, while hoping that the free-trade agreement concluded only some days previously with the United States would herald much greater success.

18. While trade was one of the major factors in promoting growth, the indebtedness of the developing countries was, on the other hand, one of the greatest threats to growth. However, there were two distinct debt problems. For the heavily indebted middle-income countries, it was necessary to restore national creditworthiness, while continuing to correct imbalances so as to restore a higher level of growth. For that purpose, it was necessary to increase the resources available to the international financial institutions, so as to enable them to complement the efforts of the countries concerned and, at the same time, to seek new negotiating procedures and new instruments that might encourage the restoration of capital and private investment flows. In that context, the widespread agreement to begin

(Mr. Laberge, Canada)

negotiations on a general capital increase for the World Bank was welcome. In the poorest countries, on the other hand, there was a fundamental crisis of development: in seeking to meet their obligations those countries were faced with the perpetuation and, indeed, the worsening of their inescapable cycle of poverty. Nevertheless, there was a rapidly growing international consensus that exceptional measures were required to relieve the burden on those countries and to provide them with some hope for the future. Thus, Canada had written off the official development assistance (ODA) debts of the least developed countries, converted its aid programmes to a system of outright grants, transformed its entire ODA programme and extended a moratorium on ODA debt-repayments to fourteen sub-Saharan African countries. With respect to its activity in the Paris Club, the World Bank and IMF, Canada had increased its share in the eighth replenishment of the International Development Association, announced its willingness to contribute 200 million SDRs to the Structural Adjustment Facility of IMF, declared its support for the extended rescheduling of the poorest countries' debt and for a reduction in concessional interest rates, cancelled the ODA debt of several French-speaking countries in sub-Saharan Africa and planned to take similar action at the coming meeting of Commonwealth Heads of Government.

19. With respect to the other items before the Committee, his country attached particular importance to the environment (and was particularly pleased to note the recent international agreement on a protocol relating to ozone), to the question of women's participation in development (particularly, their key role in areas such as food, agriculture and trade), to resolutions on food issues, to human settlements and, most particularly, to the tragic situation of the homeless and the risks and economic and social consequences of the AIDS epidemic.

20. He then briefly touched on the current efforts of the United Nations to improve its functioning: the Economic and Social Council had made considerable progress in just four sessions, and he looked forward to active negotiations in the coming year that would lead to concrete prospects for enhancing the Organization's effectiveness in the economic and social fields. In administrative and budgetary matters, Canada believed that the Committee for Programme and Co-ordination had a vital role to play because it was responsible for guiding and rationalizing efforts within the United Nations system. Canada had actively followed the work of CPC as an observer for many years and currently wished to play a more direct and active role on that body. Lastly, referring to the seventh session of the United Nations Conference on Trade and Development, he said that the Conference's greatest achievement lay in the fact that it had set a pattern for dealing constructively and productively with economic issues in international bodies and had provided a striking demonstration of the will and the determination of all members of the international community to work together in a spirit of flexibility and moderation.

21. Mr. PETROVSKY (Union of Soviet Socialist Republics) said that the international community was increasingly beset by a multitude of economic and social problems. Monetary and financial instability, underdevelopment and food, energy and environmental problems were sources of tensions and conflicts and aggravated the threat of nuclear destruction. A world in which an entire continent

(Mr. Petrovsky, USSR)

was threatened by famine, 1.5 billion people lacked access to modern medical care and 800 million people were illiterate could hardly be called safe.

22. From an objective and moral standpoint, the reality of interdependence pointed up the need to redefine international economic and political relations. In a message to the General Assembly at its forty-second session, the General Secretary of the Central Committee of the Communist Party of the Soviet Union, Mr. Gorbachev, had explained the Soviet Union's understanding of the new thinking. In essence, that thinking must apply to all aspects of international relations, military and political as well as economic and social, and involve a joint search for ways of ensuring equal security for all. It meant renouncing attempts to base international relations on the unilateral interests of any one country, striking a balance between the real, and sometimes contradictory, interests of different countries, abandoning coercive methods based on military and political rivalries and solving the problems created by neo-colonialism. A universal and constructive dialogue of that kind would promote international economic security, an idea that was in keeping with the new international economic order called for by the United Nations.

23. The pressing problems of the developing world demanded priority attention. Efforts to cope with the problem of external indebtedness had yielded few results. Discrimination, protectionism and unhealthy competition in trade had led to a reduction in the developing countries' export earnings, thus impairing their ability to repay their external debts. His delegation believed that the international community could negotiate agreements to grant further benefits for the least developed countries, to limit the annual debt-service payments of developing countries to a fixed portion of their export earnings, to accept exports from debtor nations as payment for their debts, to remove protectionist barriers and to discontinue the charging of additional interest for debt rescheduling and refinancing. Some of those ideas were already being put into practice, but the time had come to devise a programme of immediate action that would constitute an initial step towards a comprehensive political solution of the debt problem.

24. The restructuring of the international monetary system was another priority. It might entail adopting an independent monetary standard, stabilizing exchange rates and making international monetary and financial institutions more democratic. The Soviet Union was prepared to engage in a dialogue on those questions in the context of a United Nations conference.

25. The development by the United Nations of a global strategy dealing with scientific and technological progress would also facilitate the pooling of the international community's intellectual and financial resources for the purpose of learning how to manage interdependence. His delegation attached particular importance to co-operation in the peaceful uses of the atom and outer space for development. As the rapid development of new technologies changed the parameters of economic life beyond recognition, there was a need for a systematic monitoring of those processes; the United Nations might play a useful role by establishing a kind of early-warning system to identify new economic problems. In that context, consultations might be conducted outside blocs to assess the status of and prospects for the world economy, as a number of delegations had already pointed out.

(Mr. Petrovsky, USSR)

26. It had been said on occasion that the establishment of international economic security would result in the over-regulation of economic activity. Yet efforts to co-ordinate macro-economic policies were directed towards the same end. Generally speaking, the question of the State's role in economic affairs was a subject that currently elicited heightened interest. The Soviet Union stood ready to discuss that issue honestly and objectively on a reciprocal basis.

27. A broad range of national legislation and international agreements showed that the danger of trusting blindly in the action of market forces in the environment was widely acknowledged. General mobilization was required to ensure the survival of mankind. The Soviet Union proposed that a global strategy for environmental protection and the rational use of natural resources should be elaborated within the United Nations. As a first step, States might be invited to submit annual reports on their environmental activities and on incidents that had been prevented or had occurred in their territory. His delegation also supported the proposal by the Brundtland Commission to draft a universal declaration, and, subsequently, a convention on environmental protection.

28. Intensified co-operation in the economic sphere and other sectors would require a vast amount of additional resources that could only be released through disarmament. Disarmament and development, which were closely related, were the key to a comprehensive system of international security; that was one of the principal conclusions of the International Conference on the Relationship between Disarmament and Development. The Soviet Union was ready to transfer to the developing countries a portion of the funds that would be saved through disarmament measures via the establishment of an international disarmament and development fund. That fund could help finance assistance programmes in the areas of health, food, applied science and technology, etc. The establishment of such a fund would enable the Soviet Union and other donor countries to increase their contribution to development substantially. In 1986, net Soviet economic assistance to all developing countries had been equivalent to \$23 billion, with \$3.1 billion going to the least developed countries. Traditionally, that assistance was mostly bilateral, but Soviet participation in multilateral programmes would also be significantly increased if the principle of "disarmament for development" was put into effect. The Soviet Union was moving steadily in that direction, as demonstrated by Mr. Gorbachev's recent proposal that the States members of the Security Council should discuss the relationship between disarmament and development at the highest level and draft an agreed programme of action.

29. The Soviet Union was ready to consider any other proposal for establishing a comprehensive system of international security. Its perseverance in the search for ways which would lead to a secure world were predicated very logically on the processes of renewal, openness [glasnost] and dialogue taking place in the USSR. Those processes constituted an organic continuation of the cause promoted by the Great October Socialist Revolution. By joining the Common Fund for Commodities and strengthening its ties with GATT, the USSR was demonstrating its intention to contribute towards better international economic relations on a fair and democratic basis, and its sincere interest in promoting mutually advantageous co-operation through concerted efforts.

(Mr. Petrovsky, USSR)

30. In a report entitled "The United Nations of tomorrow", the United Nations Association of the United States had proposed that the United Nations should take the lead in efforts to formulate a more comprehensive concept of security which would take into account such factors as economic and social development, environmental change and human rights. The United Nations possessed everything necessary for that purpose. The USSR hoped that that potential would be fully utilized, and it was interested in the proposals being made to improve the operation of the Organization. It noted with satisfaction the positions taken in favour of consensus and joint action. Priority attention should be given to the implementation of decisions based on consensus. The recent adoption of several resolutions on such issues as foreign debt and international economic security, which would have been impossible only a few years before, was indicative of the increasing acceptance of consensus.

31. Mr. GARCIA COSTAS (Uruguay) hoped that, as every year, dialogue and negotiation would make it possible to strengthen international co-operation and to achieve the objectives of the Charter of the United Nations, the Declaration and the Programme of Action on the Establishment of a New International Economic Order and the Charter of Economic Rights and Duties of States.

32. The developing countries had, undeniably, suffered most from the current economic situation. Because of the crisis, certain industrialized countries had sought increasingly to protect their economies by resorting to a whole arsenal of sophisticated tariff and non-tariff measures. Moreover, those protectionist measures had often been supplemented by the subsidization of agriculture, which had led to the dumping of huge agricultural surpluses on world markets. Those practices had enabled the industrialized countries to oust countries like Uruguay from their traditional markets and had contributed to an unprecedented fall in prices. Two other factors had had a negative effect on economic results, namely, the drop in the real prices of export commodities and the burden of foreign debt. Between 1981 and 1986, the prices of commodities exported by Latin American countries had fallen by about 30 per cent. In 1986, Uruguay, a country which was largely dependent on commodity exports, had recorded a loss of nearly \$300 million, or about 30 per cent of its total exports.

33. However, there were a number of positive elements. Since the Punta del Este trade negotiations, several Latin American countries which exported agricultural products had realized that they must co-ordinate their positions and had decided to adopt a common strategy. That realization had led to the establishment of the Cairns Group, which was aimed at promoting liberalization and the development of agricultural trade, facilitating access to international markets, progressively eliminating export subsidies, permitting the application of standstill and roll-back commitments in genuine application of the special and differentiated treatment accorded to developing countries, as agreed upon in the Punta del Este Declaration. The entire international community recognized the need to promote growth in the developing countries. That awareness was reflected in the decision of the seven major industrialized countries which had met at the Venice Summit to co-ordinate their economic policies, the recent announcement made by a major

(Mr. Garcia Costas, Uruguay)

developed country to give a certain percentage of its trade surpluses to the developing countries, the imminent entry into force of the Agreement Establishing the Common Fund for Commodities and the beginning of negotiations to establish a world system of trade negotiations among developing countries within the Group of 77.

34. However, Uruguay's development opportunities continued to be very largely dependent on the size of its external debt. No one could question the seriousness of the debt problem and the imperative need to solve it. Uruguay had therefore been surprised to hear that problem described as "minor". Debt-servicing was an essential feature of world development, and it was necessary to bear in mind the interdependence of debt repayment, terms of trade and development in indebted countries. In the past five years, capital transfers from Latin America to the industrialized countries as part of debt-servicing had risen to \$120 billion, whereas the flow of capital should logically have been towards the developing countries. Although it had become a net exporter of capital, Latin America had managed, with great effort, to maintain its savings capacity but had been unable to prevent an almost 8 per cent decline in the productive investment ratio to gross domestic product for Latin America as a whole from 1982 to 1986. However, some Latin American countries were co-ordinating their positions on that delicate problem, and the most indebted among them had begun to show signs of solidarity and to co-ordinate their actions. It was necessary to strengthen co-operation in that area by accepting, as a point of departure, the principle of shared responsibilities as between creditors and debtors, in order to devise, with the help of international financial institutions and by showing ingenuity and boldness, new strategies for solving that problem. If rapid results were not achieved, the developing countries would not be able to repay their debts and, if they continued to demand long-term sacrifices from their populations, they would run the risk of witnessing the demise of freedom, democracy and peace. However, Uruguay was convinced that the new approaches already taken, especially as reflected in the Final Act of the seventh session of UNCTAD, would soon result in the adoption of practical policies by all parties concerned.

35. Latin American co-operation and integration and, more generally, South-South co-operation played an essential role in all and especially the economic areas. The choice was simple: either establish a new international economic order or die. That was why Uruguay was convinced that intelligence, equity and a sense of justice on the part of the international community would make it possible to find a solution.

36. Mr. AL-KAWARI (Qatar) said that the world economic crisis had worsened in many respects. The instability of the industrialized and the developing countries was attributable in particular to the slow-down in the rate of economic growth, the burden of debt, fluctuations in exchange rates and falling commodity prices, not to mention international trade problems, most notably protectionism.

37. Contrary to all expectations, the drop in oil prices had been accompanied by a fall in world demand and in exports from the oil-producing to the industrialized countries. On the other hand, no expansion of the world economy or growth in the

(Mr. Al-Kawari, Qatar)

net total of aid to developing countries had been recorded. The drop in oil prices, which had occurred at the same time as the depreciation of the United States dollar, had ended in a serious recession in the exporting countries which had had to make drastic cuts in their development funds and programmes. Those measures had had adverse effects on employment and the quality of life in each country and had been harmful to world trade. Given that situation, his delegation could only support the conclusions of the World Economic Survey 1987, which had called for strengthening international co-operation in order to eliminate the negative effects of unstable oil prices.

38. Moreover, shrinking raw-material markets were a serious handicap for many developing countries, which derived most of their financial resources from the export of raw materials. The losses sustained by the developing countries in 1986 as a result of falling prices were on the order of \$90 billion. While there was no question that the solution to the problem lay in stabilizing commodity prices, the countries concerned had to diversify their production. It went without saying that such a move called for changes in the structures of production and for external financial input.

39. One of the major world economic problems was still the external debt, which had reached the record figure of \$1 billion. The results of the growth achieved by some countries were of no benefit to them since they were entirely given over to debt-servicing. The decline in the money rate on which such hope had been set had ultimately been restricted to short-term interest rates, so that the situation was currently more tragic than ever. It was of the utmost importance, therefore, to work to bring interest rates back to reasonable levels, to stagger debt repayments and to establish better conditions for repayment. The protectionist policies followed by some States was another great obstacle to improving the world economic situation. Resorting to bilateral arrangements that limited exports by setting quotas might have the effect of reducing the revenues of the developing countries and thus aggravating the debt problem. The situation called for co-operation between debtor countries and creditor countries, since it was in the interests of both parties to restore the debtor countries to solvency. One of the solutions to the problem of reduced exports from developing countries would be to promote trade among them, something which the industrialized countries, which favoured bilateral relations, did not seem prepared to encourage.

40. The world faced a most alarming situation (the overwhelming majority of the poorest were concentrated in 115 developing countries in which 70 per cent of the globe's inhabitants lived, as against only 30 per cent living in 35 developed countries). The situation would only grow worse unless the global economic system was radically overhauled. The establishment of a new international economic order was still the best remedy for the ills of the world. The motivation, the means and the methods were at hand; one could only hope that reason would triumph in the end.

41. Mr. MOYA PALENCIA (Mexico) observed that 1987 would again be a year of slow economic growth, serious international financial imbalances and low prices for raw materials, and that the 1988 trend was not a cause for optimism. The economic

(Mr. Moya Palencia, Mexico)

situation remained critical and uncertain in Latin America: the per capita product remained almost 8 per cent lower than that recorded in 1980, official figures for unemployment had increased, the standard of living had declined, and the number of those living below the poverty level had perceptibly increased. Adjustment policies had demanded a great effort from the people, as reflected in the stagnation and even decline of the indicators for health, education and general well-being. Development had been set back by a decade. The crisis had affected all sectors of social progress and had hit women the hardest, particularly in rural areas, where they were constrained to do poorly paid work.

42. To remedy the situation, President Miguel de la Madrid had submitted to the ECLAC special session held in Mexico City a new programme for the development of Latin America and the Caribbean, with the following objectives: to revive economic growth and introduce structural adjustments that would restore stability, to find short-term ways of limiting price fluctuations and the instability of the financial system at least cost to economic activities, to study debt, financing and trade as a single whole from a medium-term perspective, to promote a world economic climate favourable to the sustained growth of the regional economy, to adapt the mandate, funding and conditionality terms of the multilateral financial agencies to the new world economic situation and to the situation in Latin America and the Caribbean, and to ensure that the creditor banks fully accepted their shared responsibility for creating and solving the debt problem.

43. Mexico had fully accepted its responsibilities. As part of a modernization strategy, it had begun to make structural adjustments in order to overcome domestic problems and to improve its avenues of access to the world economy. In particular, it had reduced the share of the domestic product represented by the real budget deficit and made radical reforms that would improve performance by reducing subsidies and price controls and rationalizing the public sector. It had, furthermore, eliminated import licences for almost all products, and reduced tariffs. Yet, despite all its efforts, it had recently noted, as had the other Latin American and Caribbean countries, that it was becoming increasingly difficult to sell the exports of the region on their major market at a critical time, and Mexico was deeply concerned that arrangements might be made that would contravene the undertakings within the GATT framework. The rising barriers met by Latin American and Caribbean exports made it necessary to recall that protectionism was incompatible with debt repayment.

44. In order to resolve the external debt problem, both principal and debt-servicing would have to be substantially reduced. The debtor developing countries would also have to be cushioned against rises in international interest rates, which were often the consequence of unilateral political decisions, and a way should be found to have them make transfers abroad that were in keeping with the requirement of economic growth.

45. Disarmament and development were indissolubly linked. The effort begun at the International Conference on the Relationship between Disarmament and Development must be stepped up: even though the Conference had not had the results hoped for

(Mr. Moya Palencia, Mexico)

by countries which, like Mexico, considered it indispensable and urgent to take specific steps, it nevertheless paved the way for universal participation, especially by those countries which must shoulder the greatest responsibility.

46. The United Nations as well must make structural changes: its methods and machinery must be modernized, made more flexible, be based on better information, and be honed so that they became indispensable tools for the international community. The crisis must be turned into an opportunity to be grasped, uncertainty must be replaced by action, and economic tension by dialogue and compromise. A sustained struggle must be waged to build an economy for the future that would not lose sight of the human being, its ultimate finality.

47. Mr. VALLENILLA (Venezuela) said that the progress made at the forty-first session of the General Assembly, particularly the adoption by consensus of resolution 41/702 on strengthened internal economic co-operation aimed at resolving external debt problems of developing countries and resolution 41/191 on food agricultural problems, represented only a minimal effort when compared to the extent of what remained to be done. The economic indicators, far from improving, illustrated the unfavourable trend in the developing countries. The problems encountered by the international community, and especially by the developing countries, were the consequence of a profound crisis in international economic relations, which called for global action. The developing countries, barred by a growing protectionism from exporting and thus from acquiring the foreign currency they needed in order to honour their commitments, and hampered in their trade participation by the deteriorating terms of trade, were compelled to make unjust bilateral concessions as well.

48. The economic phenomena resulting from that situation, in particular the phenomenon of foreign debt, had not been properly managed, and there was now a net transfer of resources from poor to rich countries. His country was going through one of the most difficult economic periods in its history, although, like most developing countries, it had redoubled its domestic production efforts and streamlined its administrative apparatus.

49. All countries must shoulder their responsibility in the search for solutions to those problems. The industrialized countries could not continue to pursue an economic and trade policy which took no account of the situation of the developing countries. The world economy was becoming increasingly interdependent, and radical changes were needed in the international economic system so as to adapt it to current conditions. The United Nations system, in particular the Second Committee, had an important role to play in the process and it could reactivate the North-South dialogue on the basis of the conclusions of the seventh session of the United Nations Conference on Trade and Development. The global negotiations relating to international economic co-operation for development called for by the General Assembly in resolution 34/138 had still not begun. The convening of a conference on money and finance for development, with universal participation, would also help to solve world problems in the integrated manner recommended by the General Assembly.

(Mr. Vallenilla, Venezuela)

50. He welcomed the report of the World Commission on Environment and Development, for it made people aware of the irreparable damage that was being done to the environment; the slow destruction of ecosystems was one of the main dangers threatening mankind. The progress made recently by the international community in facing up to the problems posed by the increasing depletion of the ozone layer merited praise and showed that urgent measures could be taken if all countries worked together.

51. With regard to the implementation of Economic and Social Council decision 1987/112, it was important to ensure that the work of the Special Commission on the In-depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields should continue in a constructive spirit in 1988. His delegation would play an active part in that undertaking and it would also endeavour to find pragmatic solutions to the problems impeding the establishment of the new international economic order.

52. Mr. DAZA (Chile) said that the world economy was still beset with serious problems. The indices of economic growth had been maintained precariously in the industrialized countries but were slowing down somewhat. The market-economy countries had shown themselves incapable of ensuring rapid growth with low unemployment and inflation, despite the recently concluded agreements on co-ordination of macro-economic policies and other medium-term measures. The economic performance of the industrialized countries was persistently poor, with the result that the developing countries suffered the cumulative effects of the sharp deterioration in the terms of trade, the contraction of industrial demand, the growing impossibility of access to increasingly protected markets, and the persistent problem of their debt, to which a satisfactory and lasting solution had not been found, although its nature and effects were now better understood. Specific steps must be taken to put an end to protectionism, without prejudice to the GATT negotiations, for otherwise it would no longer be possible to talk of satisfactory economic growth, repayment of debt and the need for the developing countries to persist in their adjustment efforts and receive additional foreign investments.

53. Protectionist measures had become more sophisticated, more damaging and less obvious, for they took the form of voluntary limitation of exports and tariffs which increased with the degree of processing of the products. Such measures had the effect of preventing the development of sectors in which the developing countries enjoyed a clear-cut comparative advantage. The prices of raw materials, which accounted for the bulk of the foreign-exchange earnings of the developing countries, were at their lowest levels in 50 years. It was not enough to speed up economic activity. Urgent efforts must be made to improve and stabilize markets. If the developing countries were to emerge from their stagnation, trade would have to be liberalized, raw materials prices improved and a lasting solution found for the debt problem - all matters which depended to a large extent on the industrialized countries, which did nothing more than urge the maintenance of adjustment policies which were fraught with harmful consequences, especially in the social field.

(Mr. Daza, Chile)

54. The crisis had taken a devastating toll in Chile. After pursuing for five years a stringent adjustment policy which had required an immense effort, the authorities had succeeded in reducing public expenditure, inflation and unemployment. The Chilean economy had recovered to its pre-1981 level, something which it had not been able to do earlier owing to an external situation determined by countries which did not themselves carry out the measures that they demanded from the developing countries.

55. That demonstrated clearly the need to find universal solutions accepted by all within a framework of general commitments and based on respect for fundamental economic principles. Only an integrated approach, including an expanded consultation process, would make stability and growth possible. There would be no lasting solution if the efforts to reach agreement were confined to certain countries with direct common interests, for agreements reached in that way did not contain measures of benefit to the developing countries. A process in which the developing countries had to carry out stringent adjustment policies, yet could not participate in the negotiation of international agreements which were just as decisive for their economic situation as were those adjustment policies, was profoundly flawed. Only the voice of reason gave hope to the large part of mankind which lived at the margin of progress.

56. The economic situation had made it necessary to evaluate the functioning of existing economic and financial institutions with a view to adapting them to the new realities. The Special Commission on the In-depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields was to report to the General Assembly at its forty-third session. Member States should show themselves to be pragmatic and effective while still upholding the principles of the United Nations. The credit built up by the United Nations during the 1950s and 1960s, which had led to important achievements in the economic and social fields, seemed to have evaporated. However, the purposes and principles of the United Nations remained valid even though their tangible expressions were now more complex. It was vital not to let slip the unique opportunity to modernize the economic and social sector of the United Nations system and thus satisfy the hopes placed in the Organization as the dawning of a new millenium drew near.

The meeting rose at 1.15 p.m.