



General Assembly
Economic and Social Council

Distr.
GENERAL

A/40/407
E/1985/131
25 June 1985
ENGLISH
ORIGINAL: RUSSIAN

GENERAL ASSEMBLY
Fortieth session
Items 12, 41 and 84 of the
preliminary list*
REPORT OF THE ECONOMIC AND SOCIAL COUNCIL
LAUNCHING OF GLOBAL NEGOTIATIONS ON
INTERNATIONAL ECONOMIC CO-OPERATION
FOR DEVELOPMENT
DEVELOPMENT AND INTERNATIONAL ECONOMIC
CO-OPERATION

ECONOMIC AND SOCIAL COUNCIL
Second regular session of 1985
Item 3 of the provisional
agenda**
GENERAL DISCUSSION OF
INTERNATIONAL ECONOMIC AND
SOCIAL POLICY, INCLUDING
REGIONAL AND SECTORAL
DEVELOPMENTS

Note verbale dated 24 June 1985 from the Permanent Representative
of the Union of Soviet Socialist Republics to the United Nations
addressed to the Secretary-General

The Permanent Mission of the Union of Soviet Socialist Republics to the United Nations presents its compliments to the Secretary-General of the United Nations and requests him to take the necessary steps to circulate a document on the Soviet position concerning the problems of development and international economic co-operation as an official document under items 12, 41 and 84 of the preliminary list of the General Assembly and item 3 of the provisional agenda of the second regular session of 1985 of the Economic and Social Council.

* A/40/50/Rev.1.

** E/1985/100.

ANNEX

Document on the Soviet position concerning the problems of
development and international economic co-operation

The USSR acknowledges and supports the important role played by the United Nations in promoting the development of international economic co-operation among States, on the grounds that many of the economic problems countries are facing are global in nature and their solution requires joint international efforts. For a good many years now the international agenda has, as a result of these problems, included the democratization of international economic relations and the promotion of equity, justice and consistency in international trade, monetary and financial relations and politics. The United Nations can and must more actively promote the attainment of these objectives.

Today we are witnessing a continuing deterioration in the state of affairs in the world currency, credit and trade sphere which is in marked contrast with the progressive ideas underlying such United Nations programme documents as the Charter of Economic Rights and Duties of States, the Declaration on the Establishment of a New International Economic Order (NIEO) and the International Development Strategy for the Third United Nations Development Decade. International security - political, military and economic - is being undermined by the policy of stepping up the arms race pursued by the aggressive imperialist forces and by incessant conflicts and confrontations. The severe economic crisis which struck the developed capitalist States as the 1980s began caused a set-back in the economic development of many developing countries, and its consequences are still today nullifying the efforts made by many of these countries to restore economic growth. The situation is complicated by the unresolved global problems in the food, energy, raw materials, ecological and other fields.

The growing contradiction between the noble ideals embodied in the documents of the world community referred to above and the realities of the situation cannot but stimulate an active search for ways out of the situation that has arisen.

However, there can be no overlooking the fact that in the approach taken by certain Western States to the vitally important problem of the development of international economic co-operation, constructive analysis is frequently replaced by attempts to cancel out the positive results achieved in the past, and turn discussion in the United Nations back to its starting point, as if there had been no General Assembly decisions on the restructuring of international economic relations. "Truisms" like "all-out support for private initiative" and "free play of market forces" are put forward as some kind of magic formulae, although their effect is to drown in fruitless discussions the efforts to draw up joint decisions in the United Nations which go to the root of the problems of monetary and financial relations, debt and trade.

What is in fact taking place is a process of tightening of trade restrictions, including ever more frequently restrictions applied for other than economic reasons; monetary and financial relations are being undermined by the policy of high interest rates and enormous budget deficits and by the use of the external

debt for political purposes. Within the structure of resource flows, official development aid by the Western countries is decreasing, and at the same time the outflow of financial resources from the developing countries to the West is on the rise.

The Soviet Union considers the adoption of resolution 39/218 of 18 December 1984 fully justified. In our view, the issues touched upon in this resolution could more effectively be reviewed within the framework of global negotiations covering the whole range of international economic co-operation and development issues, as was provided for in General Assembly resolution 34/138 of 14 December 1979, adopted by consensus five years ago. However, the agreement reached among all countries at that time is today being rejected by certain Western States. The inactivity on the part of the international community attributable to these States has led to the accumulation of problems in the field of international monetary, financial and trade relations becoming critically acute. In many developing countries, in particular, the increasing acuteness of these problems, above all the crushing burden of debt repayments and the net outflow of financial resources, is becoming yet another real threat to their economic security.

We are becoming more and more convinced that there is an organic, inseparable interrelationship and a mutual cause-and-effect pattern between the political atmosphere in the world and international economic relations.

The world economy is a contradictory but integral system. This being the case, with good will on the part of countries the difference between socio-economic systems and ideologies is not, as history demonstrates, an insuperable obstacle to mutually advantageous trade and scientific and technical exchange.

The basic principle for the successful development of international economic co-operation today is the consolidation and expansion of all the positive results achieved in this field in the 1970s, the normalization of international relations, the safeguarding of economic security, and the establishment of trust in this vital sphere of inter-State relations. Constructive efforts are needed by all States to exclude from international relations all methods of economic aggression, such as the use or threat of the use of embargoes, boycotts, and trade, credit and technological blockades. The unconditional rejection of such methods of economic blackmail is a cornerstone of the Soviet Union's position of principle in international affairs.

General Assembly resolutions 39/210 and 39/226 of 18 December 1984 set forth sound guidelines for United Nations activities in the development of economic co-operation among States. It is important to ensure that both the United Nations and all the organizations and specialized agencies within its system put into practice, through concrete steps, the view of the overwhelming number of States Members of the United Nations as expressed in these resolutions.

The continuation of the unbalanced exchange based on economic structures inherited from the past and maintained in force at present by the monopolistic price formation on the capitalist market constitutes a direct obstacle to economic development and international co-operation. The Soviet Union, in advocating the

exclusion of all forms of exploitation from international economic relations, considers that there is an urgent need for the progressive elimination of discrimination, artificial barriers and inequitable exchange in trade relations, and for the establishment of a just, economically sound correlation of prices for raw materials, foodstuffs and industrial products. It resolutely condemns the restrictive business practices of the transnational corporations, which constitute one of the hidden forms of contemporary neo-colonialism. In the opinion of the Soviet Union, the establishment and development of relations between the socialist and developing countries, based on the principles of equality, non-interference in one another's internal affairs, and respect for national sovereignty and mutual advantage, are conducive to the strengthening of general democratic trends in the world economy. Experience shows that for developing countries such relations constitute an important condition for becoming less dependent on the imperialist States and their transnational corporations and banks.

The acute nature of the crisis affecting the international monetary system of the capitalist countries is generally recognized. The departure from the Bretton Woods system and the adoption of floating exchange rates have not in practice stabilized the balance of payments or significantly reduced the demand for reserves. The inequitable position of individual countries in the financial credit system is reflected particularly in the fact that only a small number of developing countries have sufficient reserves and permanent access to the international financial markets, while the greater part of the developing world, confronted with chronic balance-of-payments deficits, is unable to gain access to the capital markets. Growth in the reserves of many developing countries continues to depend mainly on the trade and balance-of-payments deficits of the leading capitalist country - the United States, and also on the availability of loans on European markets.

The external debt crisis has assumed enormous proportions. In terms of its dimensions, the number of States affected by it, the nature of the measures taken by Western creditors, its influence on the socio-economic situation of debtor countries and its effect on international economic, currency, credit and political relations, this crisis is unparalleled in the history of capitalism. Various official and unofficial estimates of the external debt of developing countries range from \$800 billion to \$1,000 billion. The level of this indebtedness needs to be determined objectively, taking into account all types of debts, including short-term indebtedness and various export credits, and also the real effects of debt rescheduling, which in the long term leads to an increase in debt obligations due to the granting of new loans and the deferment of payments on old ones, the conversion of short-term into long-term indebtedness, the accumulation of undischarged interest obligations and so forth.

The vast total of the developing countries' external debt must not be viewed in isolation from the essential causes which brought it about and must not create the mistaken impression that there is some sort of acceptable threshold for this debt, below which a normalization of the financial situation of the debtor countries will take place. The essence of the problem lies in the one-sided conditions for the granting and repayment of loans, which undermine the possibilities for development.

What is special about the situation is that most countries are compelled to resort to heavy foreign borrowing merely to pay the interest on their current debt. The need to boost exports and limit imports has introduced a number of complications in the economies of the developing countries and led to an increase in social tension. Their balance-of-payments deficits and the need to liquidate previously accumulated debts means they must attract additional loans. At the same time, private banks, which receive tens of billions of dollars from the developing countries in interest alone, have now restricted the granting of additional credits. In a situation in which the sums paid out in interest and for the liquidation of the basic debt have surpassed new bank credits in value, the net outflow of resources from the developing countries, amounting to many billions, has become extremely conspicuous.

Quantitative assessments of the scale of this outflow vary, but they all confirm the growing extent of the phenomenon. The extraction of financial resources from the developing countries is neither a coincidence nor an anomaly. It is a logical consequence of the pervasive development of a system of neo-colonial exploitation based on the expansion of foreign private capital. Estimates quoted by the Group of 77 for the period 1980-1982 show that the net monetary losses of the developing countries amounted to about \$200 billion (document TD/285, p. 7). This figure alone is greater than the entire volume of aid and direct private investment of the West in the developing countries.

In January 1984, the World Bank published data on the medium-term and long-term loans advanced to the developing countries from private sources. They show that the net outflow of financial resources from the developing countries in 1982 amounted to \$7 billion, and in 1983 to \$21 billion.

The United Nations Economic Commission for Latin America and the Caribbean estimates that the volume of outflow of financial resources from the countries of that region alone amounted in 1983-1984 to \$57.7 billion. Even more eloquent data are available from the different States which are net recipients of financial resources from the developing countries. For example, statistical data published in the journal Survey of Current Business, No. 8, 1982, show that the net balance of resource flows between the United States and the developing countries, including official development aid, amounted in the years 1979-1981 alone, to more than \$20 billion, i.e. nearly \$7 billion annually, in favour of the United States.

It is therefore no coincidence that the document produced by the ministerial conference of the Group of 77 on the eve of the thirty-ninth session of the General Assembly called for efforts to halt this "reverse transfer of resources". There is an urgent need for the United Nations to conduct a comprehensive investigation of the problem of the net outflow of capital from the developing countries, which provides the key to an understanding of the reasons for the deterioration in their economic situation. The subject of such an investigation must be the heavy burden of the outflow of financial resources from developing countries, which is being aggravated by such factors outside their control as unfavourable terms for the refinancing of foreign debts, the decline of export prices for raw materials, exchange rate fluctuations, the growth of protectionism, transfer costs, high interest rates, tax evasion, deterioration of the terms of trade, the brain drain and the declining volume of preferential foreign aid.

Certain circles in the West are trying to take advantage of the "debt burden" to regain the positions lost as a result of the struggle by the developing countries to establish national sovereignty over their natural and economic resources, and to steer the social and economic development of the debtor countries onto a course favourable to the developed capitalist countries.

In the view of the USSR, the terms for the granting and payment of credits should be regulated, and attempts to use monetary and financial levers as a means of political pressure and interference in the internal affairs of the developing countries should be excluded from the international practice.

The USSR is prepared to examine constructively the initiative of the developing countries to hold an international conference on money and finance, with the equal participation of all States, to reform the existing machinery of the international monetary and financial system for the benefit of all countries.

At the same time, as the results of the most recent IMF/World Bank sessions show, the leading Western States do not want even to discuss this initiative in the United Nations and simply ignore the requests of the Group of 77, many members of which have fallen into debt with the direct involvement of the International Monetary Fund. We must be on guard that instead of democratizing these institutions, steps are taken to stiffen further the terms for the granting of IMF financial aid and to reduce the preferential elements in World Bank programmes, which are being used ever more blatantly to implant private-capital-based systems in the developing countries.

The existing situation and the trends already apparent underline the danger of a compromising attitude towards the expansion of foreign private capital in the developing countries, which can seriously undermine their efforts to overcome backwardness and strengthen their economic independence. Under present conditions, measures to prevent the activity of foreign and private capital to limit the harm it does to the developing countries and to subject it to the interests of the national development of the newly independent countries, are particularly urgent. The work of the United Nations on a code of conduct for transnational corporations must be completed as soon as possible.

In the areas of monetary and financial sphere, these aims would be served by: withdrawing the tax, credit and currency privileges extended to foreign private capital by developing countries; limiting the profit rate of foreign private companies to the average level in the country concerned and the relevant sector of its economy; and improving developing countries' prospects of receiving loans and credits at international capital markets.

All that would help cut down the outflow of developing countries' monetary and financial resources, and would be a first step towards the complete elimination of the outflows and the strengthening of their economic situation.

The financing of economic growth, one of the most critical problems which face developing countries, is directly related to international economic co-operation. The Soviet Union's practice is founded on the premise that the leading role in

solving this problem should be played by the developing countries themselves, which should endeavour to broaden the sources and increase the rates of accumulation; this does not, of course, exclude inflows of financial resources from abroad.

Quite naturally, the developing countries seek compensation for the damage they suffered during the colonial period, and continue to suffer as a result of neo-colonialist exploitation and the policy of shifting onto them the main burden of the crises in the world capitalist system. In this context, the Soviet Union consistently supports the just demands of the developing countries for increased aid from the developed capitalist States. Unfortunately, the world has witnessed the increasing employment of Western aid not in the interests of developing countries, but as a camouflage for the very same old policy of neo-colonialist exploitation.

The Soviet Union bears no responsibility for the exploitation of the developing countries and for the disastrous state of their economies. Its aid to those countries is deducted directly from the national income created by the labour of the Soviet people. During the period from 1976 to 1982, the Soviet Union annually allocated an average of more than 1 per cent of its gross national product to aid for developing countries, which was used to strengthen the State sector of their economies, accelerate industrialization and develop material resources for progressive social transformations in accordance with their national development plans, on the basis of full respect for their sovereignty. Soviet aid does not create payment problems for developing States since, when aid is not provided free of charge, payment is in the form of the developing countries' traditional export commodities or the output of enterprises built with the assistance of the Soviet Union. Without exception, all enterprises built with Soviet assistance become the national property of the developing countries. The export of profits is a practice which plays absolutely no part in the Soviet Union's relations with developing countries, and its granting of credit to those countries provides effective support for their economic growth. In most cases, the extension of credit is closely linked to scientific and technological aid, which promotes the transfer of technology and its assimilation by the recipient country. In granting credit to developing countries, the Soviet Union, as creditor, does not exert any direct or indirect influence on a recipient country's domestic or foreign policies.

The Soviet Union believes that the policy of seeking unilateral privileges in international economic relations, whose aim is to perpetuate the "law of the strong", is a totally short-sighted one. The Soviet Union understands the reluctance of the developing countries to accept the system of one-sided dependence on the mighty of this world that has been imposed on them, the old system of privileges and political and economic domination. The objective logic of the development of the international division of labour cannot be subjected with impunity to the logic of military and political rivalry, and the world market cannot be transformed into an arena for commercial expansion and economic wars. Such practices are deeply rooted in the worst days of the "cold war", and the sooner they become a thing of the past, the better.

The problems of development cannot be solved in isolation from their global political context. The Soviet Union is convinced that it is possible, given the necessary political will, to halt the arms race and prevent it from spreading to new

areas, to begin taking effective measures for real disarmament and the reduction of military expenditure.

The fact that the reduction of military expenditure is the most realistic means of freeing additional resources which could be used for social and economic development, including that of the developing countries, makes the need to take such measures become all the more pressing. The specific proposals of the Soviet Union and other socialist countries on this subject are well known and await implementation.

At the high-level Economic Conference of the member countries of the Council for Mutual Economic Assistance (CMEA), held at Moscow in June 1984, the leaders of the communist and workers' parties and the heads of State and Government of those countries appealed to all peoples and to State and Government leaders to strive actively for the development of international economic co-operation. By adopting the Declaration entitled "Maintenance of peace and international economic co-operation", they declared that the CMEA member countries would co-operate in implementing the proposals set forth in that Declaration with all those interested in consolidating international peace and security and in normalizing international economic relations, and that the CMEA member countries expected from other States the same goodwill, mutual understanding, and desire for common action and were prepared in that spirit to consider all constructive proposals.
