



SUMMARY RECORD OF THE 22nd MEETING

Chairman: Mr. BIRIDO (Sudan)

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ORGANIZATION OF WORK

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The meeting was called to order at 10.55 a.m.

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued)

Draft decision A/C.2/40/L.14

1. Mr. HUSSAIN (Pakistan), introducing on behalf of the sponsors draft decision A/C.2/40/L.14, on Israeli financial and trade practices in the occupied Palestinian and other Arab territories, explained that a fact-finding mission had not been able to make an in-depth analysis because of the attitude of the Israelis, who had systematically tried to dismantle any indigenous economic institutions. Palestinian banking institutions had been closed down, forcing the Palestinians and other Arab residents to conduct business exclusively through Israeli banks and in Hebrew. A report such as the one requested, combined with the information already available, would provide a true picture of Israeli policies in the territories.

Draft resolution A/C.2/40/L.15

2. Mr. CHOWDHURY (Bangladesh), introducing draft resolution A/C.2/40/L.15 on behalf of the sponsors, said that the draft resolution, which had the full support of the Group of 77, sought to ensure that the necessary facilities and opportunities were made available for development projects in the occupied Palestinian territories. In view of the overwhelming support the resolution had received in the Economic and Social Council, he hoped the Committee would adopt it by consensus.

Draft resolution A/C.2/40/L.17

3. Mr. AL-OSTA (Yemen), introducing on behalf of the sponsors, draft resolution A/C.2/40/L.17, on assistance to the Palestinian people, outlined its provisions and expressed the hope that the draft resolution would be adopted by consensus.

4. The CHAIRMAN announced that Madagascar, Saudi Arabia, Tunisia and Yemen had become sponsors of draft decision A/C.2/40/L.14, Madagascar, Tunisia and Yemen had joined in sponsoring draft resolution A/C.2/40/L.15, and Madagascar and Tunisia had become sponsors of draft resolution A/C.2/40/L.17.

AGENDA ITEM 84: DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION (continued)
(A/40/3, 173, 184, 185, 202, 203, 220, 235, 276, 303, 305, 321, 327, 330, 340, 342, 347, 366, 374, 384, 401, 407, 458, 459, 476, 477, 489, 495, 525, 534, 544, 545, 582, 640, 672, 708, 762; A/C.2/40/2 and 5; A/C.2/40/L.7)

(f) ENVIRONMENT (continued)

Draft resolution A/C.2/40/L.16

5. Mr. ELFORGANI (Libyan Arab Jamahiriya) introduced draft resolution A/C.2/40/L.16 on behalf of its sponsors, which had been joined by Bangladesh, Benin and Oman.

(Mr. Elforgani, Libyan Arab Jamahiriya)

6. The problem of the remnants of war was impeding the development of many developing countries, including his own. Extensive areas, amounting to as much as one third of the territory of certain developing countries, were unfit for industrial or agricultural projects, human settlements or prospecting for natural resources because of the extreme danger posed by remnants of war. That, in turn, created new financial burdens for the economies of the countries affected.

7. The sponsors of the draft called for the implementation of the various resolutions mentioned in the preamble to the draft resolution, which had called upon the States responsible to remove the material remnants of war, including mines, to make available maps showing the location of such remnants, to compensate the countries affected and to provide technical assistance for the removal of the materials in question.

(g) HUMAN SETTLEMENTS (continued)

Draft resolution A/C.2/40/L.13

8. Mr. AL-HADDAD (Democratic Yemen), introducing, on behalf of the sponsors draft resolution A/C.2/40/L.13 on the living conditions of the Palestinian people in the occupied territories, said that the living conditions of the Palestinians continued to deteriorate because Israel had been changing the demographic composition of the territories, thus increasing Palestinian emigration. The Palestinian people not only lacked full control over land and water, but were subject to constraints on self-generating development.

9. The CHAIRMAN announced that Tunisia and Yemen were also sponsoring draft resolution A/C.2/40/L.13, and that the Comoros had become a sponsor of draft resolution A/C.2/40/L.16.

(c) TRADE AND DEVELOPMENT (A/40/15 (vols. I-II), 596, 717, 798, 815; A/C.2/40/L.8 and L.9)

(e) ECONOMIC AND TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES (A/40/39, 579, and Corr.1, 581, 656 and Add.1)

(j) IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION FOR THE 1980s FOR THE LEAST DEVELOPED COUNTRIES: REPORT OF THE SECRETARY-GENERAL (A/40/826)

(m) IMMEDIATE MEASURES IN FAVOUR OF THE DEVELOPING COUNTRIES: REPORT OF THE SECRETARY-GENERAL (A/40/597 and Corr.1)

(n) NEW AND RENEWABLE SOURCES OF ENERGY: REPORT OF THE SECRETARY-GENERAL (A/40/548)

(o) DEVELOPMENT OF THE ENERGY RESOURCES OF DEVELOPING COUNTRIES: REPORT OF THE SECRETARY-GENERAL (A/40/511 and Corr.1, 637)

10. The CHAIRMAN invited the Committee to begin its general discussion of the second cluster of sub-items under agenda item 84.

11. Mr. LAZAREVIC (Yugoslavia), speaking on behalf of the Group of 77, said that the stalemate in North-South negotiations had had a negative effect on UNCTAD activities. It was regrettable that, at a time when commodity prices had reached their lowest level, the Common Fund for Commodities had yet to be ratified. The fact that negotiations on an international code of conduct on the transfer of technology had been delayed because of a number of important, unresolved issues was also a source of disappointment.

12. The difficulties faced by UNCTAD reflected the general erosion of multilateralism. The developing countries believed that UNCTAD should be strengthened, since it constituted a unique forum for dialogue and negotiations on all issues related to trade and development. Those whose criticism of the United Nations was directed also at UNCTAD should recall that no institution could act if its members disagreed on the course of action to be taken. In their efforts to enhance the role of UNCTAD, the developing countries would not overlook the need for an ongoing appraisal of the Conference's organizational and functional aspects, and would support all measures aimed at making UNCTAD more efficient. However, that appeared to be more a political than an organizational or budgetary task. As preparations began for the seventh session of UNCTAD, Member States should concentrate on issues outstanding from the previous session. Such an approach would enable UNCTAD to turn its attention to issues of vital importance not only to the developing countries, but to the international community at large.

13. Economic and technical co-operation among developing countries constituted an integral part of the developing countries' efforts to achieve self-reliant economic growth and to strengthen their mutual ties. The Caracas Programme of Action and the Buenos Aires Plan of Action constituted the most comprehensive and authoritative policy framework for activities relating to economic co-operation among developing countries (ECDC) and technical co-operation among developing countries (TCDC). The developing countries had welcomed the adoption of General Assembly resolution 39/216, on the activities of the United Nations system in support of ECDC. The Secretary-General's report (A/40/581) prepared in accordance with that resolution provided rather detailed descriptions of those activities. However, the developing countries were not convinced that the United Nations system had made use of all possible opportunities for ECDC, particularly at such a critical and uncertain time for the world economy. The spirit of such co-operation should permeate the work programmes of United Nations organizations more fully. The Group of 77 endorsed the recommendation of the Committee for Programme and Co-ordination that the United Nations system should give greater attention in its work programmes to the implementation of existing mandates for the promotion of ECDC and TCDC. The United Nations and the developed countries had not entirely fulfilled their obligations to assist and support co-operation among developing countries; in the case of the United Nations, the system appeared to lack adequate internal arrangements and financial resources for promoting and co-ordinating such co-operation. Careful consideration should therefore be given to the conclusions and recommendations contained in the relevant report of the Joint Inspection Unit (A/40/656).

(Mr. Lazarevic, Yugoslavia)

14. The Group of 77 was deeply concerned at the slow pace of the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries. Since the United Nations Conference on the Least Developed Countries, held in 1981, the overall socio-economic situation of those countries, especially in Africa, had deteriorated significantly. The problem of food must be addressed on an urgent basis in both the short and long terms, and renewed commitment to the implementation of the Substantial New Programme was the least that could be done in that regard. In that connection, he drew attention to resolution 165 (S IV) of the Trade and Development Board, which called for the conversion of official development assistance (ODA) debt into grants. Those countries which had not yet implemented that resolution should do so without delay. Donor countries should also increase the percentage of GNP earmarked for aid to the least developed countries.

15. Of the five areas identified by the General Assembly in resolution 38/200 in which immediate measures should be taken in favour of the developing countries, food and agriculture was the only one in which such measures had been taken by the United Nations and individual Governments. Although emergency food aid would continue to be necessary for the next few years, measures should also be considered to help rehabilitate African agriculture and promote its long-term development. In the other areas for action, however, there had been no improvement; in some cases, the situation had deteriorated. Specifically, net transfers of financial resources from the developed to the developing countries had become negative, ODA flows had fallen below target, and trade was being hampered by protectionist and non-tariff measures.

16. He noted with satisfaction that preparations for the next session of the Committee on the Development and Utilization of New and Renewable Sources of Energy were under way. The development of new and renewable sources of energy was an area of critical importance for the developing countries, and the current energy situation should not be taken as a reason for any slackening in the implementation of the Nairobi Programme of Action.

17. Mr. BOTAFOGO GONCALVES (World Bank) said that the Bank's most recent World Development Report had outlined two economic scenarios for the developing countries, based on the assumption that most of them would continue their efforts to adjust to their external economic situation. In the high-case scenario, those efforts would be complemented by appropriate adjustment in the industrial countries, yielding a 5.5 per cent annual growth in GDP between 1985 and 1990. The low-case scenario, however, which would have especially severe consequences for low-income African countries and the highly indebted countries, would prevail if the industrial countries failed to control the situations which had led to their erratic economic performance over the preceding 10 years. The economies of the developing countries would then grow by only 4.1 per cent, with growth rates of 2.5 per cent and 3.8 per cent for the low-income African countries and the highly indebted countries respectively. The most important conclusion to be drawn from that analysis was that growth in the developing countries depended heavily upon the performance of the industrialized countries.

(Mr. Botafogo Goncalves)

18. Unfortunately, the economic outlook currently appeared less favourable than it had six months before: economic growth in the United States and the OECD countries had slowed and that slower growth, combined with increased protectionism, would result in a slow-down in world trade, which in turn would probably cost the developing countries some \$25 billion in export revenues. Meanwhile, the continued downward trend in commodity prices was likely to persist in the case of a number of items of critical interest to the developing countries. The current situation thus reflected the first post-recessionary period in which economic recovery in the industrialized countries had not resulted in a stabilization of commodity prices. Lastly, while the decline in dollar interest rates would save the developing countries an estimated \$15 billion, commercial capital flows to those countries had not increased. On the whole, then, the low-case scenario forecast by the Bank seemed the more probable one.

19. Capital flows from the industrial to the developing countries constituted a vital component of any efforts to bring about long-term growth in the developing countries. The reduced flows of recent years had forced many nations to cut back sharply on imports, thereby depressing their economies. If the pattern of lower economic output continued, it might well lead to untenable social and political consequences. The reduction in capital flows was also disquieting because traditional sources of finance were no longer expanding, and increased private direct investment could not sufficiently offset the drop in commercial-bank lending. Some debtor countries had undertaken painful adjustment measures and had developed investment opportunities which might lead to increased exports, higher economic growth and a gradual restoration of creditworthiness, but debt servicing absorbed a significant share of domestic savings and commercial banks remained reluctant to increase their involvement.

20. Although the World Bank and the regional development banks planned to increase their lending substantially, multilateral financial institutions alone could not offset the shortfall in private capital flows. The commercial banks could not shirk their responsibilities: economic expansion was not possible without modest growth in net lending by them to credit-worthy developing countries.

21. The trend in concessional flows to the poorest countries had been disconcerting. The Task Force on Concessional Flows had noted in its recent report to the Development Committee that ODA had been decreasing in real terms since 1980 and was likely to increase by only 2 per cent annually in the years ahead, despite the great need for such assistance. The Task Force had examined various possibilities for bridging the widening disparity between ODA supply and requirements, but had concluded that there was no feasible alternative to increasing the volume of ODA.

22. The International Development Association (IDA) was the largest single channel for development assistance to the low-income countries, and the negotiations for its eighth replenishment must be concluded by December 1986 if the continuity of its operations was to be maintained. The crisis in sub-Saharan Africa, combined with the inadequacy of the seventh replenishment and the current low levels of ODA

(Mr. Botafogo Goncalves)

in general, had compelled the World Bank to seek support for the Special Sub-Saharan Africa Facility; however, that Facility was a one-time, three-year operation, and the problems it had been set up to address must be dealt with on a long-term basis by IDA. Donors would also have to deal with persistent poverty in much of Asia, notably in Bangladesh, and the needs of such populous countries as India and China, which required affordable external assistance on a sustained basis to overcome their massive economic problems.

23. In recent years, World Bank lending in support of policy reform and structural adjustment had been increased. The Bank had taken steps to improve its policy dialogue with member countries and had restructured its research programme to improve the quality of its advice on adjustment programmes and deepen the world's understanding of current international trade and debt issues. A special assistance programme had been introduced in 1983 to accelerate disbursements and provide additional financing for high-priority projects that might otherwise have been discontinued. In Latin America and the Caribbean, the region most seriously affected by debt-servicing problems, the Bank's disbursements had increased by 75 per cent between 1982 and 1985. Ways had also been devised to channel new money from other sources into indebted countries in conjunction with World Bank lending. The Bank had launched a Joint Program of Action for Sub-Saharan Africa, which was mobilizing support for those countries that were undertaking needed policy reforms. The Special Sub-Saharan Africa Facility, with resources of \$1.2 billion, was supporting reform with fast-disbursing concessional assistance. Lending programmes for health-related and energy projects had been strengthened, and emphasis had been placed on loans aimed at protecting prior investments and on training, technical assistance, institutional development and management. Finally, the Bank had helped member countries mobilize and allocate public-sector resources more effectively and increase private-sector contributions.

24. The joint meeting of the World Bank and the International Monetary Fund at Seoul had been marked by a general recognition among world leaders that the developing countries must move from stabilization to adjustment with growth, and that the World Bank had an important role to play in that process. The meeting of the Development Committee had been especially encouraging, since the Committee had expressed support for a substantial expansion of the Bank's lending programme. The Committee had also agreed that the Bank should be freed from constraints on its lending imposed by lack of capital or borrowing authority, and had requested it to begin discussions with its Executive Board on proposals that would enable it to meet its resource requirements over the next five years. The Development Committee had also urged that the eighth replenishment of IDA should be completed at an adequate level by September 1986. Most members of that Committee had expressed support for the draft Convention on the Multilateral Investment Guarantee Agency, which had been opened for signature and signed by three countries. It was to be hoped that the Agency would promote significant increase in capital flows to the developing countries. Finally, the Committee had considered the problems of the highly indebted middle-income countries, the deepening crisis in low-income Africa and the report of the Task Force on Concessional Flows.

(Mr. Botafogo Goncalves)

25. While current economic trends were less encouraging than expected, there was now widespread awareness of what must be done by all countries to bring about a new era of global prosperity. The industrial nations must bring their fiscal deficits under control, thereby allowing a return to lower interest rates, which would in turn reduce the debt-service burden of the developing countries. They must also ease rigidities in their labour markets in order to reduce unemployment and promote economic growth, which was essential if the developing countries were to achieve adjustment with growth. The developing countries, for their part, must pursue economic policy reform. Reforms were needed in many developing countries and included the setting of economic prices that most accurately reflected opportunity costs, appropriate exchange rates and liberal trade policies to stimulate exports and improve domestic efficiency, and improved resource mobilization to increase domestic savings, which in turn would reduce the growth of external debt and help finance new investment. Finally, adjustment programmes should be designed to protect vulnerable groups and distribute the costs and benefits of adjustment equitably. The World Bank would do its utmost to encourage progress along the road of co-operation that led to shared prosperity.

ORGANIZATION OF WORK

26. The CHAIRMAN announced that the list of speakers on the second cluster of sub-items under agenda item 84 would close at 6 p.m. that day, which was also the deadline for the submission of draft proposals for the first cluster of sub-items under agenda item 84, with the exception of sub-items 84 (d), (f) and (h).

27. A number of delegations had asked him to request the Secretary-General to circulate, at the earliest possible date, the report and recommendations of the Panel of Eminent Persons which had conducted the Public Hearings on the Activities of Transnational Corporations in South Africa and Namibia at United Nations Headquarters from 16 to 20 September and on 10 and 11 October 1985. The same delegations had also proposed that the Committee should invite the Chairman of the Panel to introduce the Panel's report.

28. Mr. SEVAN (Secretary of the Committee) said that, if the Committee endorsed that decision, travel and subsistence costs in the amount of \$800 would be incurred. In reply to a question by Mr. ORLANDO (United States of America), he said he was currently unable to state whether the expenses in question would be met within available resources.

29. The CHAIRMAN suggested that the Committee should defer its decision until the information requested by the representative of the United States was available, and urged the Secretariat to provide that information as soon as possible.

The meeting rose at 12.15 p.m.