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SUMMARY RECORD OF THE 45th MEETING

Chairman:

Mr. PAPADATOS

(Greece)

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

AGENDA ITEM 79: DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION (continued)

(b) TRADE AND DEVELOPMENT (A/45/3, 15, 442, 453 and Add.1, 565 and 588)

(c) REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION FOR THE 1980s FOR THE LEAST DEVELOPED COUNTRIES (A/45/695)

1. Mrs. VAEZA (Uruguay), referring to the vast changes taking place on the world political and economic scene and to the situation regarding international trade relations, said that the State was playing a diminishing and changing role in the decentralization of administration, the dismantling of bureaucratic structures and, in particular, the trend towards regional economic integration.

2. In that connection she drew attention to the process of integration taking place between Argentina, Brazil, Paraguay and Uruguay with a view to the establishment of a common market in the Southern Cone. That process was particularly important in the light of the recent initiative on economic integration of the continent made by the President of the United States of America, who had inter alia stressed the close relationship that existed between trade, investment and external debt.

3. However, those processes and initiatives could falter if the current Uruguay Round of multilateral trade negotiations on restructuring the multilateral trade system failed. It was vital that those negotiations, which for the first time included agricultural trade, should produce positive results, since it would be many years before a new opportunity arose for drawing up a consistent set of rules governing international trade.

4. Failure of the Uruguay Round negotiations could cause serious imbalances in the international trading system. Uruguay believed that the GATT rules and regulations needed improving, with a view to reducing and eliminating non-tariff barriers which were the main obstacle to the expansion of trade and which were particularly detrimental to the developing countries. Uruguay was an active member of the Cairns group and supported the adoption of measures to liberalize agricultural trade by all participants in the multilateral negotiations, and it considered that the principle of differential and most-favoured-nation treatment must be applied effectively to the developing countries.

5. However, the recent proposals submitted by the negotiating committee were inadequate and failed to take account of fundamental aspects of the problem, such as the policy of Government intervention in agriculture, the adverse and destabilizing effect of subsidies, and excessive protection. In a communiqué issued in Geneva on 5 November, the Ministers of the Cairns group had stated that a breakdown in the Uruguay Round would unleash protectionist forces.

(Mrs. Vaeza, Uruguay)

6. Her country reaffirmed that it would be a mistake of historic proportions to sacrifice the principles relating to the establishment of a more open and transparent trade régime in order to defend the national interests of a particular group of countries, or merely to be able to announce that the Brussels meeting had been a success. The only way to ensure the success of that meeting was to reaffirm the Punta del Este spirit which had brought all parties to recognize the danger of a breakdown and the need to find a common ground through balanced concessions.

7. Mr. SERSALE di CERISANO (Argentina) referred to current trends and medium-term prospects in the situation of countries that produced raw materials, particularly agricultural products, and the difficulty of reaching agreement on basic items on the agenda of the Uruguay Round, especially in the agricultural sector. In that respect, the relative importance of the developing countries in the markets of the developed countries had diminished, the regions most affected being Africa and Latin America and the Caribbean.

8. The situation in trade relations was having a particularly adverse impact on the economies of the developing countries, and the developed countries' policies were preventing the establishment of an equitable market-oriented agricultural trading system. Those policies were also having an adverse effect on food production and hence on the application of the concept of food security. The trade policies of some of the developed countries were tailored to domestic support mechanisms which generated surpluses, as well as to non-tariff barriers, export subsidies and the imposition of sanitary and phytosanitary measures which acted as hidden obstacles to the developing countries' exports.

9. Together with the external debt problem, the impossibility of reaching broad agreement on the gradual elimination of those policies, which distorted international agricultural trade, was the main obstacle that prevented the developing countries, in particular the low-cost food producers, from resuming the path of growth and economic development.

10. Consequently, Argentina, which had firmly supported the Uruguay Round negotiations, was disturbed to see that, with only three weeks to go before the end of the Round, no real agreement had yet been reached with a view to achieving a satisfactory outcome. Argentina, as a member of the Cairns group, had repeatedly stated that the Uruguay Round could not and must not end without substantial progress in the field of agricultural trade.

11. Despite recent international agreements to reduce the distortions affecting international trade in agricultural products - in particular in the Declaration on International Economic Co-operation adopted by consensus at the eighteenth special session of the General Assembly (A/RES-18/3), in the document on the international development strategy for the fourth United Nations development decade (A/AC.232/L.14/Rev.1) and the recent Houston Economic Summit - some of the major industrialized countries had adopted measures which not only ran totally counter to that trend and hampered the reactivation of the development of the developing countries but also demonstrated the inconsistency of the industrialized countries,

(Mr. Sersale di Cerisano, Argentina)

in particular those which had been the cradle of liberal ideas and which had grown rich themselves through free trade. Their specific policies in the agricultural sector were a direct attack on the growing universalization of democratic government and prevented the developing countries from creating the conditions for expanding their exports, increasing their investment in agriculture and effectively reactivating their economies.

12. The major industrialized countries and the European Economic Community in particular must assume their historic, moral and political responsibility at a time when their economic situation permitted it, and must adopt decisions calculated to obtain substantive results in respect of agriculture in the Uruguay Round. That would be the best way of contributing to the agricultural development of the developing countries and, at the same time, to the eradication of hunger and malnutrition.

13. Mr. ISAKOV (Union of Soviet Socialist Republics) said that, as had been demonstrated in important international forums such as the eighteenth special session of the General Assembly and the Second United Nations Conference on the Least Developed Countries, for the first time in the history of the Organization, economic and political issues were being given equal importance. Not only the organizations of the United Nations system but also the International Monetary Fund, the World Bank and other international mechanisms must act in a co-ordinated manner to secure the development of all countries, the satisfaction of the basic needs of the people and protection of the environment.

14. UNCTAD, in particular, was one of the principal multilateral mechanisms for solving the major problems relating to trade and development. The report of the Trade and Development Board (A/45/15) and the report of the Secretary-General of UNCTAD (A/45/442) contained an exhaustive and detailed analysis of the situation in that area and highlighted, in particular, the current trend towards the integration of national economies. Any country which did not join in that process would be in danger of losing the advantages derived from the international division of labour.

15. Turning to the transformations which were going on in the USSR, he drew attention to ongoing efforts to decentralize economic activities and to dismantle the monopolistic organization of the economy. The measures which had been taken included measures to encourage foreign investment, to establish semi-public enterprises and to make the rouble convertible. In addition, new tariff lists had been prepared which conformed to international practices and, in particular, to GATT rules. In 1990, the USSR had been admitted to GATT as an observer, which was the first step towards joining the General Agreement. Nevertheless, that did not mean that UNCTAD's activities were less important. On the contrary, co-ordination between GATT and UNCTAD must be improved.

16. The USSR had noted with interest the idea of setting up a single international trade organization which would include the organizations of the United Nations system, the International Monetary Fund, the World Bank and perhaps other multilateral mechanisms operating in that area. One of UNCTAD's most important

(Mr. Isakov, USSR)

contributions would be its conceptual activity in the analysis of economic trends and in strengthening capacity to forecast world economic trends so as to be able to deal with upheavals which entailed grave risks for national economies such as those which had occurred as a result of the crisis in the Persian Gulf. It was also essential to tackle the issue of changing over from production for military purposes to production for development purposes.

17. After referring to the dynamic process which was going on in Eastern Europe and drawing attention to the importance of international co-operation for the success of the economic recovery of those countries and their integration into the world economy, he reaffirmed the importance of the negotiations currently under way within the context of the Uruguay Round and expressed confidence that the difficulties that had been encountered would be overcome and that the outcome of the negotiations would be satisfactory. Those negotiations, together with the forthcoming eighth session of UNCTAD, were of vital importance for the future of trade and development in the short term and also in the longer term.

18. Mr. NYAMIKEH (Ghana) said that many delegations had talked exhaustively about the recent transformations which had occurred in Eastern Europe and in other parts of the world, the most notable being the unification of the two Germanies. His delegation welcomed all those changes because they heralded a more promising future for international trade and development. However, those changes could not, in themselves, provide a solid foundation for the improved international economic situation that everyone was hoping for, unless they were accompanied by new measures that would not only put an end to the unjust trade relations of recent decades but also facilitate and enhance international trade and economic co-operation at all levels between developed and developing countries.

19. The Committee had heard delegations from the developing countries speak about the losses which their countries had suffered during the past decade as a result of adverse terms of trade and lopsided international trade liberalization policies which provided protection only for manufactured goods, not for commodities. It was distressing to note that while the industrialized countries strongly advocated the removal of subsidies on agricultural production in developing countries they continued to provide subsidies for their own farmers. For the great majority of African countries, commodity exports accounted for 85 to 100 per cent of the foreign exchange required to meet development needs and debt service obligations and, although the volume of exports had increased, export earnings from commodities had remained low. In 1988, the recorded fall in commodity prices had been put at about 40 per cent and the figure was expected to reach 60 per cent in 1990.

20. In a desire to find a solution to the particular difficulties facing Africa, many countries on the continent had instituted reform programmes during the 1980s. The relevant multilateral institutions, including the World Bank and International Monetary Fund, had stressed the need to strengthen the commodity sectors. As a result the world market for those commodities had been flooded. Despite the persistent decline in commodity prices, international assistance had continued to focus above all on the commodity sector.

(Mr. Nyamikeh, Ghana)

21. While it was recognized that the market conditions for many of the major African commodities did not look very favourable, it was none the less stressed that only by promoting dynamism in that sector, which was the most important in every African economy, transformation of economic structures would remain an idle hope. Although his delegation did not doubt the sincerity of such a recommendation, it was hard to believe that the result would be anything other than a further strengthening of the vicious circle of dependence on commodities. It had often been suggested that processing of commodities would be a means of solving some of the problems raised by exporting commodities in raw forms. However, that had not proved to be the case.

22. In an attempt to reduce its dependence on the export of commodities, Ghana had begun to process some of its agricultural products. For instance, it had processed cocoa into chocolate, cocoa butter and oil and had won medals for those products at international fairs. However, exporting processed cocoa had proved extremely difficult.

23. An international trading system which would ensure the development of developing countries could be achieved only if fairness and consistency prevailed in international trade and economic relations. The task of transforming existing trade relations might seem enormous to those who had benefited immensely from the present system, but it must be undertaken without delay. The Declaration on International Economic Co-operation adopted at the eighteenth special session of the General Assembly, the consensus reached on the international development strategy and the ongoing GATT negotiations all pointed to the existence of greater co-operation towards resolving some of the issues affecting trade and development.

24. His delegation strongly supported the meeting of the Committee on Commodities, which was scheduled to take place from 12 to 20 November 1990, and hoped that the Committee's deliberations would produce concrete and lasting solutions to the commodity problem, including the strengthening of the facilities of the Common Fund for Commodities and the implementation of commodity agreements which had been stalled for the last two years.

25. Ms. TOMKINSON (Australia) said that the Committee was discussing the issue of trade and development at a crucial moment in the history of international trade relations. In only two weeks time the Uruguay Round of trade negotiations was scheduled to end. The conclusion of the Round, which would represent the result of four years of intensive negotiations, would provide the last opportunity in the century to establish an open and efficient framework for future international trade.

26. Trade was one of the most fundamental aspects of the economic welfare of all countries. It formed a crucial component of the development process, so much so that the provision of new trading opportunities for developing countries would be one of the major contributions which the industrialized countries could make to the growth and development of developing countries. When the Uruguay Round was launched at the ministerial meeting at Punta del Este in 1986, the negotiating mandate had been the liberalization of trade in all areas. That mandate had been

(Ms. Tomkinson, Australia)

the strongest yet agreed within GATT on issues such as agriculture, and it covered for the first time the new issues of services, intellectual property rights, and trade-related investment measures. The stated aim of the Round was to halt protectionism, remove distortions in trade, and develop a more open, viable and durable multilateral trading system.

27. All the parties to the Uruguay Round had accepted those objectives because they believed that reform of the international trading system was essential to the long-term health and growth of the international economy. The objective was of course an ambitious one, requiring firm commitment to reform by all the parties, but its importance to the international economy was and remained inescapable. However, her delegation was disappointed and deeply concerned by the current uncertain prospects for achieving the objectives set at Punta del Este four years earlier.

28. A satisfactory conclusion to the Uruguay Round depended on a satisfactory outcome in all of the areas under negotiation. However, the deadlock in the negotiations on agriculture threatened to undermine the whole Round. There had been no advance in the agriculture negotiations since July 1990. Positions remained far apart, and the lack of progress had adversely affected other areas of the negotiations, including products based on natural resources, and textiles, tropical fruits, etc. The responsibility for the crisis in the agriculture negotiations rested largely with the European Community and its member States. This was due both to the lateness of the tabling of the Community's offer on reductions in agricultural protection and to the coverage of that offer.

29. The Community's offer, which contained no commitment to reduce export subsidies and increase the market access for agricultural products, was completely inadequate. It was also inconsistent with the undertakings given in the Punta del Este Declaration of 1986 and in the mid-term review of the Uruguay Round in 1989. All the other key delegations, including the developed and developing countries of the Cairns group of agricultural exporters, had submitted constructive offers for reductions in protectionism. The Community's offer was also inconsistent with the declaration made at the recent Houston economic summit, which had reaffirmed that the successful outcome of the Uruguay Round had the highest priority on the international agenda and stressed the determination of the participants in the summit to take the political decisions necessary to achieve substantial results in all areas of the Uruguay Round by the end of 1990.

30. The summit declaration had recognized that the achievement of long-term reforms in agricultural policies was critical to the greater liberalization of trade in agricultural products and that the outcome of the agriculture negotiations should lead to a better balance between supply and demand which would ensure that agricultural policies did not impede the effective functioning of international markets. Finally, the declaration had reaffirmed the parties' commitment to the long-term objective of agricultural reform, which was to allow market signals to influence agricultural production, and to establish a fair and market-oriented agricultural trading system.

(Ms. Tomkinson, Australia)

31. The objective for agricultural reform identified by the parties at the Houston summit offered the prospect of an improved framework for international trade, with wide-ranging benefits for all countries. Her delegation whole-heartedly supported that objective. However, not all the parties to the GATT negotiations had succeeded in making the difficult political decisions which the participants in the Houston summit had recognized as necessary to the achievement of a satisfactory outcome in the agricultural negotiations of the Uruguay Round as a basis for the success of the Round as a whole. The success of the Uruguay Round was necessary in order to revitalize the world trading system, achieve a multilateral lowering of tariffs, phase out the non-tariff barriers to trade, and expand the multilateral framework to cover the rapidly growing area of services trade. If the Round was allowed to fail, the protectionist forces which had been building up in recent years would be unleashed, particularly in the current climate of global economic uncertainty. The cost to the developed countries and to the developing countries would be enormous.

32. All parties to the GATT trade negotiations must realize the enormous importance of the success of the Uruguay Round. The Committee was considering many issues of importance for the international economy and the development process. But on none of those issues did it have the opportunity now available in the trade area to secure benefits for all countries in the next century.

33. Mr. HUSSEIN (Malta) said that his delegation fully supported the position of the Group of 77 on international commodity trade as stated recently in the Committee. Commodity trade remained the economic mainstay of the promotion of growth and development and a major source of export earnings, investment and employment in many developing countries, including his own. The rapid and persistent fall in commodity prices in the 1980s had dealt a severe blow to many developing countries which relied on commodities for their export revenue. Unfortunately, the decline in commodity prices in real terms was expected to persist in the 1990s. Concerted efforts must therefore be made to overcome the crisis in commodity markets and prevent its recurrence. Improvement in commodity prices would enable the developing countries to increase their imports and thus improve the world trade situation.

34. Only a few developing countries had managed to diversify their economy by means of processing activities based on commodities. The developed countries must provide support to stimulate such diversification in the form of investment and project financing, transfer of technology, and increased imports of processed and semi-processed goods. In addition, the developed countries must relocate to the developing countries those of their industries which used raw commodities.

35. The growing protectionism in developed countries remained a source of concern to developing countries, as it continued to hinder progress towards creating a more liberal and equitable world trading system. Tariff escalation on commodity-based products restricted their access to the developed countries. Even low-level value added products, such as palm oil products and cocoa powder, were subject to high tariffs on entering European Community markets. The adoption of non-tariff

(Mr. Hussein, Malta)

measures such as import quotas, import licences, sanitary and phytosanitary measures and food labelling regulations further restricted imports of some commodities from the developing countries.

36. His delegation urged the international community to take more positive steps to improve market access for semi-processed and processed products from developing countries. The developed and developing countries should show greater commitment in the Uruguay Round to reducing protectionism and developing market access by reducing and eliminating high tariffs and non-tariff barriers. Tariff escalation on processed products should be eliminated so as to encourage diversification of the developing countries' productive system.

37. One of the most serious problems affecting commodity-exporting countries was unfair competition in the international market due to heavily subsidized agricultural production and exports in the European Community. Those subsidies adversely affected the development of the commodity sector in the developing countries. The offer by the European Community to reduce agricultural subsidies by 30 per cent over a ten-year period was grossly inadequate and posed a serious obstacle to the success of the Uruguay Round.

38. The smear campaign being waged against certain commodities was another "new" form of protectionism intended further to restrict exports from developing countries. Those campaigns, particularly the ones against palm oil and tropical timber, had been mounted by pressure groups in the major industrialized countries. For example, the campaign against palm oil made no mention of the results of scientific research that had confirmed the value of palm oil in lowering cholesterol levels. In the case of tropical timber, a number of non-governmental organizations were putting pressure on consumers and Governments to restrict imports of that type of timber. Malaysia considered such actions discriminatory and contrary to the principles of GATT on free trade practices. Those campaigns must be halted.

39. Although the Agreement Establishing the Common Fund for Commodities had entered into force on 19 June 1989, the Fund's first and second accounts were not yet operating. It was to be hoped that with the funding available through the Fund's two accounts, eligible commodity organizations could now begin research and development, marketing and other activities. Assembly resolution 44/218, inter alia, invited all countries that had not yet ratified the Agreement to do so as soon as possible and welcomed the significant voluntary contributions made to the second account of the Common Fund. The positive support of the developed countries was essential to ensuring the effective functioning of the Common Fund. Greater emphasis should be given to activities related to the second account, which could bring immense benefits to producer and consumer countries alike.

40. His delegation wished to reiterate that international commodity agreements were still useful instruments to ensure stable and remunerative prices for producers and fair prices for consumers. But the developing countries must not regard those agreements as a panacea and resort to excessive production. To date,

/...

(Mr. Hussein, Malta)

many international commodity agreements had failed or had not been implemented owing to the lack of co-operation between producer and consumer countries or between the producers themselves.

41. His delegation was concerned at the lack of progress in the Uruguay Round in areas of importance to developing countries such as tropical products, agriculture, market access, textiles and clothing. Assembly resolution 44/218 urged all parties involved to meet agreed commitments and work for a balanced approach to the multilateral trade negotiations, so as to ensure that their successful conclusion brought about further expansion and liberalization in trade in commodities. Malaysia called upon the most affluent countries, such as those of the European Economic Community, to make an extra effort to help achieve a successful conclusion to the Uruguay Round. Lastly, Malaysia hoped that the commitments contained in the Declaration on International Economic Co-operation adopted at the eighteenth special session of the General Assembly and in the international development strategy for the fourth United Nations development decade, particularly those pertaining to commodities, would be implemented, with a view to finding long-term solutions to commodity problems and establishing stable and predictable conditions in commodity trade.

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

Draft resolution A/C.2/45/L.27

42. The CHAIRMAN said that Austria had joined the list of sponsors of draft resolution A/C.2/45/L.27 on entrepreneurship.

AGENDA ITEM 86: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (continued)

(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued)

Draft resolutions A/C.2/45/L.15, L.19* and L.28

43. The CHAIRMAN said that Mali had joined the list of sponsors of draft resolution A/C.2/45/L.15 on special assistance to the front-line States. Senegal and the Union of Soviet Socialist Republics had joined the list of sponsors of draft resolution A/C.2/45/L.19* on assistance for the reconstruction and development of Djibouti. The following countries had joined the list of sponsors of draft resolution A/C.2/45/L.28 on assistance to Benin, the Central African Republic, Ecuador, Madagascar and Vanuatu: Algeria, Argentina, Barbados, Bolivia, Brazil, Burkina Faso, Cameroon, Cape Verde, Chad, Chile, Colombia, Comoros, Cuba, Dominican Republic, Egypt, Ethiopia, Ghana, Guatemala, Guinea, Guyana, India, Jamaica, Lesotho, Mali, Morocco, Namibia, Nigeria, Papua New Guinea, Peru, Togo, Uganda and Yugoslavia.

The meeting rose at 4.30 p.m.