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SUMMARY RECORD OF THE 47th MEETING

Chairman: Mr. PAPADATOS (Greece)
later: Mr. AMAZIANE (Morocco)
(Vice-Chairman)

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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 (continued) (A/45/3, A/45/15, A/45/442, A/45/453 and Add.1, A/45/565 and A/45/588)

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

1. Mr. VALENZUELA (Honduras) said that, at a time when the world economic situation was deteriorating, the United Nations Conference on Trade and Development (UNCTAD) had potentially a leading role to play as the General Assembly's principal instrument for deliberation and negotiation on international economic co-operation. At the seventh session of UNCTAD it had been emphasized that responsibility for promoting the accelerated and sustainable development of the developing countries must be shared by all. UNCTAD support for the developing countries had also been clearly demonstrated at the two conferences on the least developed countries held in Paris in 1981 and 1990.

2. Inflation, deflation, recession and external debt, the major problems affecting the developing countries, had had a particularly marked impact during the 1980s. During that period, economic growth and the rate of expansion of the developing countries' trade had slowed and commodity prices had fallen, negatively affecting exports and foreign currency earnings. The developing countries had lost their access to the markets of the capitalist countries and in that way had been punished for their insolvency, despite the great efforts they had made to undertake structural adjustments.

3. Some of the Asian countries had continued actively to export manufactures. However, that had not been the case in Africa or Latin America, where exports remained vulnerable to unpredictable fluctuations in commodity prices. In spite of certain factors which gave grounds for a degree of optimism, such as the end of the cold war and changes in Eastern Europe, economic prospects, made worse by the Gulf crisis, were gloomy, with the forecast rate of growth of world GDP at 1 per cent the lowest since 1982 and increased unemployment and inflation predicted as a result.

4. In Latin America output per capita would fall for the third consecutive year, to no more than 1 per cent, with the economic achievements of some countries nullified by economic adjustment measures, low interest rates, debt servicing and the outflow of resources. In Africa, where a growth rate of approximately 3 per cent was expected, some countries would benefit from the recent rise in oil prices but others would experience increased import costs which would negatively affect their national economies. Asia, however, would continue to experience accelerated economic growth, many countries of the region having developed the ability to find ways of counteracting the reduction in external demand and the fluctuations of the world market.

(Mr. Valenzuela, Honduras)

5. With reference to the refinancing of the developing countries' official debt, it was worth noting that the debtor countries' creditors, before referring them to the Paris Club, continued to require them first to enter into an agreement with the International Monetary Fund, thereby causing delays and deterioration of the applicant country's financial situation. It had been agreed at the Toronto Conference to offer the poorer countries the following concessions: partial cancellation of debt service charges, longer repayment periods and favourable rates of interest. As of August 1990, 16 African countries and Bolivia had benefited from such measures. Some countries had also made use of the Venice arrangements, which provided for the due date of payments to be postponed.
6. The measures adopted by President Mitterrand to reduce interest rates on loans granted by France to four African countries south of the Sahara were to be commended. President Bush, too, had launched an initiative to reduce the liabilities which Latin American countries had incurred as a result of official indebtedness to the United States and thus release funds for environmental projects which were much needed by the region. Additionally, the Group of 7 at their meeting in Houston had urged the Paris Club among other things to extend the repayment periods of the debtor countries. In that regard, the magnificent work done by the Group of 77 to obtain better terms for the service of the developing countries' debt should not be forgotten.
7. With regard to international trade, tariff measures and restrictive trade practices posed serious problems. The report of the Intergovernmental Group of Experts on Restrictive Business Practices called for standards to be adopted and effective institutions set up to combat such harmful practices. At the same time, while the attention of the international community was focused on the Gulf crisis, the grave economic problems of the world remained unsolved. That crisis, which was bringing about a rapid redistribution of income, could lead to further serious economic upheavals, which efforts must be made to avoid.
8. Mr. McDONALD (Commission of the European Communities) said that since the middle of 1988 the trend of world trade had been very positive, benefiting both developed and developing countries. The developing countries had increased their export earnings from \$420 billion in 1986 to about \$1,050 billion in 1990 and even the 15 most heavily indebted countries had succeeded in increasing their exports by 54 per cent. However, there were countries, particularly in Latin America and Africa, which had not benefited from the situation.
9. The European Community had sought to help the developing countries to develop their trade through mechanisms and instruments such as the Lomé Convention, the Generalized System of Preferences, the General Agreement on Tariffs and Trade and the Uruguay Round and through structural adjustments within the Community. Those adjustments referred not only to the single market which was due to be in place by 1992 but also to reform of certain sectors of economic activity in accordance with the principles of comparative advantage.
10. The Community was also helping the developing countries through development assistance, industrial co-operation and promotion of the rural sector. It

(Mr. McDonald)

recognized the link that existed between trade and debt service and attached great importance to debt-related structural adjustment loans. It had made particular efforts in Africa to improve food security and the development of the agricultural sector.

11. The Lomé Convention had been revised in December 1989 and the Generalized System of Preferences was currently being studied with a view to its improvement and simplification. Measures had been taken to assist the countries of Eastern Europe involving, for example, reduction and elimination of quotas and association and co-operation agreements of the type maintained with other trading partners would be developed. Ways of improving co-operation with the Mediterranean countries were also being studied. With respect to Latin America, substantial assistance had been given for the creation of a Central American payments system and zero duty access had been granted for certain products from Peru, Colombia, Bolivia and Ecuador.

12. Concerning the single market, two thirds of the 282 legislative measures required by the single market programme would soon be adopted, many of which would benefit not only producers within the Community, but exporters to it as well. The external trade régime, which would not be directly affected by the creation of the single market, would in any event become more liberal as problems posed by the various non-tariff régimes within the individual member States were resolved. Furthermore, many of the reforms being introduced by the Community, for example in the services sector, were open for negotiation with the Community's trade partners in the context of the Uruguay Round.

13. The European Community's trade régime was already very liberal, with an average tariff rate of 4 per cent and an import penetration rate of 13.1 per cent, up 4.5 per cent over a 10-year period. The Community was also one of the world's largest importers. Where trade with developing countries was concerned, in 1989 the import growth rate of 16 per cent had exceeded the export growth rate, so that the trade deficit of the European Community with the developing countries had widened. Almost half of Community imports from developing countries were industrial products.

14. In order to bring its economy into step with the changing world, the EEC had made substantial structural adjustments in such sectors as steel, textiles and agriculture. It was also working towards more predictability in the world economy through a balanced mix of non-inflationary fiscal and monetary policies, which had resulted in a stabilization of its exchange rates.

15. The EEC remained an active participant in the Uruguay Round negotiations and, by submitting ideas and proposals, had demonstrated that it was in favour of a general liberalization of trade, particularly in fields such as services and textiles. The Community had recently submitted a proposal on agriculture that covered all types of support, including export subsidies. A general rule should apply across the board; separate disciplines should not be established for each aspect of agricultural support. The reduction of support in the agricultural sector in the way proposed by the Community would lead to a reduction of all the

(Mr. McDonald)

main types of support. The proposal also included the application of tariffs, in many cases starting at a level well below existing variable levies; such tariffs would also be subject to GATT and would be lowered over the period 1991-1995.

16. The result of the proposal would be that in the future, internal support, import charges and export subsidies would be reduced. The Community had proposed disciplines on all three areas and had also proposed that export subsidies could not exceed the import tariff for the same commodity. In that way, if tariffs fell, export subsidies would too. The model brought forward by the EEC was fair and reasonable and aimed to submit domestic agricultural policies to real international constraints and to reduce the support and protection granted to the agricultural sector.

17. The European Community was the world's largest agricultural importer, annually bringing in 45 billion dollars worth of goods, or 40 per cent of all imports into the countries of the OECD. Its exports to developing countries had dropped from 50 per cent to 40 per cent of the total, despite the fact that overall EEC exports of agricultural goods had remained fairly stable between 1980 and 1987. Imports from developing countries had increased substantially in recent years, from 49 per cent to 55 per cent of total imports between 1982 and 1987. The European Community was also the largest agricultural export market for its partners in the developed world, in particular the United States of America. It was New Zealand's largest export market and Australia's second largest, after Japan. It was also the largest importer from other European OECD countries.

18. The Community had always lived up to its international obligations, and was doing so also in the context of the Uruguay Round. It was to be hoped that those negotiations would benefit all participants and strengthen the open multilateral trade system. The European Community appealed to the other Member States to be realistic and responsible and to join it in working towards a successful outcome of the Round.

19. Mr. RAKOTONAIVO (Madagascar) welcomed the analyses contained in the report of the Secretary-General of UNCTAD (A/45/442), which stressed the close link between trade problems, monetary and financial questions and the debt problem. He also emphasized the importance of international trade as an indispensable vehicle of economic co-operation for the development of the developing countries.

20. With regard to the Uruguay Round, whose basic goal was to establish a more open and stable multilateral trade system that promoted the growth and development of all countries, his delegation was concerned about a possible collapse of the negotiations. Owing to conflicts of interest between the major economic and trading Powers, it had not been possible to reach agreements which would be of vital importance for the entire international community. Moreover, areas of such paramount interest for the developing countries as tropical products, textiles, safeguards and services had not been given adequate attention by the industrialized countries.

21. No progress had been made, either, in the multilateral negotiations on

(Mr. Rakotonalivo, Madagascar)

status quo measures and dismantling or in the application of most-favoured-nation status to exports from the developing countries. Where trade in services was concerned, a number of important deficiencies had been noted with regard to the definitions, scope of application and mechanisms to be established for meeting the growth and development goals that had been set. In respect of measures concerning intellectual property and investments, the attitude of the developed countries was not in keeping with either the letter or the spirit of the Punta del Este mandate, in that there was a tendency to protect the rights of the owners of intellectual property and to exclude any consideration of public interest and development, thus increasing the technological dependence for the countries of the South.

22. With respect to investments, the proposals by the developed countries would deprive the recipient countries of their right to set fiscal and financial rules governing the activities of foreign enterprises, and the poor countries would have to abandon all hope of being able to develop within a framework that ensured respect for their sovereignty and independence. Concerning trade in commodities, measures needed to be adopted to stabilize prices, and UNCTAD was engaging in satisfactory work on that topic. The Committee on Commodities should promote the holding of consultations and the creation of mechanisms for co-operation between producers and consumers.

23. Madagascar supported the proposal made within the framework of UNCTAD for the establishment of a new international compensatory financing facility, and was pleased that the Common Fund for Commodities had become operational. With regard to the problem of prices for raw materials from Africa, his delegation welcomed the report of the Expert Group established by the General Assembly in accordance with resolution 43/27 and called for the creation of the additional mechanisms proposed in the document explaining Africa's common position (A/45/591). Lastly, Madagascar urged the international community to take into account the recommendations made at a meeting of governmental experts held in New York to consider the situation of the island developing countries, in particular with regard to the implementation of the programme of action for those countries, in accordance with General Assembly resolution 43/189.

24. Mr. AL-TAMIMI (Bahrain), referring to the serious situation in which the island developing countries found themselves, welcomed the work being done by UNCTAD in support of those countries' development activities. Since 1972 the General Assembly had adopted various resolutions promoting action by the international community in that sphere. The island developing countries encountered special difficulties in their development efforts on account of their small size and limited markets, as well as the special geological and geographical factors which made them very vulnerable to natural disasters. Donor countries and international institutions, particularly UNCTAD and UNDP, must step up their aid to those countries.

25. In accordance with Assembly resolution 43/189, the island developing countries must receive concessional financial and technical assistance. Bahrain supported the proposals contained in document TD/B/AC.46/2, regarding international measures to support island developing countries. Although such countries were among the

(Mr. Al-Tamimi, Bahrain)

middle-income countries, their Governments had to devote considerable resources to health, education, housing, social welfare and infrastructure. Bahrain supported the recommendations made at the Meeting of Governmental Experts held in New York from 25 to 29 June 1990, particularly those relating to the need for UNCTAD to convene meetings of experts in which the island developing countries would participate along with the donor countries and international institutions.

26. Mr. ALMABROUK (Libyan Arab Jamahiriya) reaffirmed his country's total support for the activities of UNCTAD, which constituted an irreplaceable instrument for developing and co-ordinating multilateral trade relations. The fundamental objectives of the new international trade order which needed to be established must include the economic development of the developing countries and the fostering of co-operation between them. The imbalances in the world trading system must be corrected without delay, and a system established in which all countries, both developed and developing, participated.

27. All countries would have to refrain from adopting measures that might impair the balance of that system. They must also refrain from adopting unilateral or bilateral measures that might have adverse effects on international trade co-operation. The system must be based on harmonization of monetary, financial and technical policies. The developed countries must put an end to the application of protectionist measures, and must reduce tariffs and non-tariff barriers against imports from developing countries.

28. Libya condemned the intimidatory measures, both political and economic, that the developed countries applied against developing countries, such as boycotts, embargoes and the freezing of financial resources and assets. Such practices were contrary to the Charter, to international law and to General Assembly resolutions, particularly the provisions of resolution 44/215, and were damaging to the economies of the developing countries, international co-operation and the smooth functioning of the world economy.

29. During the 1980s commodity prices, which were the sole source of income for some countries and the driving force behind their economies, had fallen considerably. The developed countries imported commodities at low, and in some cases derisory, prices, using those commodities to manufacture industrial products which they then re-exported at exorbitant prices. For that reason, over the coming decade an all-out effort would have to be made to increase the income of commodity-exporting countries with a view to establishing a balance in international economic relations and creating a climate of stability favourable to development. Libya was confident that during the eighth session of UNCTAD, to be held in June 1991, positive measures could be formulated to respond to the wishes and needs of the developing countries and to put an end to the application of discriminatory measures against them.

30. Mr. O'BRIEN (New Zealand) said that, unfortunately, a failure of the Uruguay Round of trade negotiations could not be ruled out. Throughout the four years of negotiations, emphasis had been placed on the need to improve the GATT rules and disciplines in the sphere of agriculture. Regrettably, a number of countries still

(Mr. O'Brien, New Zealand)

refused to accept that need. The Cairns Group of agricultural trading countries, of which New Zealand was a member, had tabled agricultural reform proposals entailing substantial reductions in export subsidies, border protection and internal support. The United States, too, had made similar proposals. Nevertheless, the offers by a number of other countries fell well short of meeting the generally accepted commitment to substantial progressive reductions in agricultural support and protection.

31. Among those inadequate proposals were those of the European Community, Japan and the Republic of Korea. The European Community had made no acceptable offer on export subsidies; nor had it offered any prospects of efficient agricultural producers being able to export more to the Community either at the beginning or at the end of the reform period. The reforms proposed by the EEC were little more than a continuation of its current reform programme, which had done little to correct structural production imbalances. The 30 per cent cuts proposed by the EEC amounted to only 15 per cent after account was taken of the results of policies implemented since 1986. The Cairns Group had made it clear that it viewed those proposals as inadequate, and that they could not form the basis for negotiations in Brussels.

32. Once the Uruguay Round^d was concluded, it should not be acceptable for developing countries to be forced to rely on aid handouts, when agricultural trade reform could help them achieve a greater degree of economic prosperity. Nor would it be acceptable that the GATT rules and disciplines should not apply to agriculture, when those rules and disciplines were fully accepted with regard to industrial goods, and had indeed enabled the very countries that were opposed to regulation of agriculture to achieve considerable economic prosperity. Nor would it be acceptable for OECD countries to provide \$US 245 billion in protection and assistance to agriculture each year, much of it with trade-distorting objectives. Agriculture was the key to the success of the Uruguay Round. To secure that success, a number of countries, particularly the members of the EEC, must improve their agricultural offers. If the Round were to fail, the international community would not easily forgive those responsible for that failure.

33. He wished to remind members of the Second Committee of the particular problems facing island developing countries. Many of New Zealand's neighbours were countries belonging to that category. New Zealand had chaired the Meeting of Governmental Experts of Island Developing Countries and Donor Countries and Organizations, held in New York in June 1990. His delegation drew the Committee's attention to the report of the Secretary-General on that meeting (A/45/453 and A/45/453/Add.1), which indicated a number of priorities of interest to the island developing countries and to their development partners, particularly with regard to human resources development and the role of women in the development process. It singled out as problems of special concern to the island developing countries the issues of transport, the impact of migration, vulnerability to natural disasters and dependence on external markets.

34. The report attempted to identify a new framework in which to address the problems facing those countries, with a view to finding realistic ways of

(Mr. O'Brien, New Zealand)

co-operating to assist them in solving those problems. One of the main problems in that regard, over which those countries had no control, was the problem of sea-level rise caused by climate change. The viability of many island countries, and in some cases their very existence, was under threat. At the previous day's meeting, the Secretary-General of UNCTAD had reminded the Committee that States Members of the United Nations must address the implications of climate change when co-operation programmes were implemented. New Zealand resolutely endorsed that view.

35. Mr. WON (Observer for the Republic of Korea) stressed the significance of the adoption in September of the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s by the Second United Nations Conference on the Least Developed Countries. The Republic of Korea, having arisen from the devastation of war to join the ranks of the newly industrialized countries, was ready to share its development experiences with the least developed countries. Since its socio-economic conditions at the initial stage of development had been similar to those of the developing countries, Korea hoped that its development experiences would prove relevant to the least developed countries in their efforts to revitalize their economic growth.

36. In order to share its development experience, the Korean Government had carried out a series of technical co-operation schemes since 1965, in which such special account had been taken of the needs of the least developed countries. By the end of 1989, Korea had received approximately 800 trainees from the least developed countries, who had pursued studies in various areas ranging from trade promotion to development planning and rural development strategy. In addition, more than 40 Korean technical experts had been sent to those countries.

37. The establishment in 1990 of the Korea Youth Volunteers programme, together with Korea's participation in the United Nations Volunteers programme marked a new stage in Korea's co-operation with developing countries. Korea considered that those two programmes would help to strengthen even further the development partnership between Korea and other developing countries, especially the least developed countries. In 1987, in order to contribute financial support to developing countries, the Korean Government had established the Economic Development Co-operation Fund; it had also made efforts to facilitate overseas investment in the least developed countries. The growing level of Korean investment in those countries should serve as an effective means of development co-operation and give mutual benefits.

38. Financial co-operation had also been promoted on a multilateral basis. With a view to assisting the low-income developing countries, the Korean Government had participated actively in providing concessional financial resources to various international financial institutions. Korea's contributions to the Asian Development Fund, the African Development Fund, the International Development Association and the Enhanced Structural Adjustment Facility (ESAF) of IMF had totalled more than \$US 140 million. His Government would continue to increase its efforts, commensurate with its economic capabilities, to assist the development efforts of the least developed countries.

(Mr. Won, Observer, Republic of Korea)

39. Korea considered that a free world trading system was essential to international economic growth in general, and to the economic development of developing countries in particular. Indeed, an open multilateral trading system was crucial to the reactivation of international economic development in the 1990s and beyond. In that connection, the importance of a successful conclusion to the Uruguay Round could not be overemphasized.

40. Korea considered the question of agricultural trade to be of particular importance. It had submitted its offer list to the GATT secretariat the previous month, in order to help the negotiations on agriculture to move forward. Korea's offer took into account the specific nature of agriculture and the unique situation facing that sector in Korea. The importing developing countries, such as Korea, should be guaranteed a sufficient grace period for structural adjustment, and flexibility with regard to tariff reform and domestic policy options. In the spirit of the Punta del Este Declaration, Korea wished to emphasize that the results of the negotiations should reflect each participant's legitimate interests in a balanced and equitable manner, thereby ensuring their full implementation by all participants.

41. Mr. ARSLANIAN (Brazil) said that, on 15 March of the current year, right at the beginning of President Fernando Collor's administration, Brazil had launched a new economic plan, the main goal of which was to return to past levels of investments and, hence, of sustained growth for the Brazilian economy. The plan combined a strong stabilization programme aimed at producing a quick decline in inflation rates, and a set of structural reforms to increase the economy's efficiency and productivity through modernization of the state apparatus, the opening up of the economy to foreign trade and investment and the liberalization of the domestic markets.

42. The rationale behind the new industrial and trade policy of the current Brazilian Government was a departure from the old import substitution model, which had outlived its usefulness. Currently, the key words were liberalization, efficiency and competition. The trade régime in Brazil had been liberalized. All direct export subsidies had been eliminated, and the main incentive for exporters was now the floating exchange rate system which reflected market realities. The import policy had been completely overhauled. The main quantitative restrictions namely, a prohibition list of 1,200 items and import quotas, had been eliminated and the fundamental role of customs tariffs had, once again, become that of determining the level of domestic production. A tariff reform was under way, to reduce the average tariff rate from the present 37 per cent to 20 per cent by 1994. From the present moment onwards, Brazil would no longer try to achieve a trade surplus by reducing imports. Brazil intended to increase import and export trade so as to achieve such a surplus naturally.

43. In the current Uruguay Round negotiations, Brazil had eliminated certain non-tariff measures as a part of its initial offer, but such a liberalization effort could be maintained only on the basis of positive offers from Brazil's trading partners, favourable developments in external trade and an improvement in the balance-of-payments situation, which would largely depend on whether an

(Mr. Arslanian, Brazil)

appropriate solution could be found in the debt negotiations. Brazil's final contribution to the tariff negotiations would depend on the creation of real market access opportunities, including the elimination of non-tariff escalation with regard to its export products.

44. With regard to the negotiations on agriculture, Brazil was in favour of a considerable reduction in export subsidies, followed by their ultimate elimination. That goal should be achieved by direct measures, and it could not be assumed that it would result from other reforms in the agricultural sector. The rebalancing concept should be rejected, since it could undermine the benefits of liberalization. The agreement should cover all agricultural products. The needs of the developing countries, in particular those relating to regional and social development, should be clearly recognized. With regard to the negotiations on textiles, Brazil felt that failure to reach an agreement on integration of that sector into GATT would seriously undermine the opportunities for progress in the sector, which was of crucial importance for the developing countries.

45. Concerning safeguards, his Government was committed to a comprehensive agreement that would set out clear terms for the legitimate use of measures to assist in the recovery of industries affected by substantial and sharp increases in competitive imports. Deviations from the most-favoured-nation principle in the form of selective application of safeguards should not be allowed, in order to ensure that safeguards were applied in a manner consistent with the General Agreement on Tariffs and Trade and with the interest of all countries in a reinforced multilateral trading system. Existing grey-area measures should be phased out under agreed time-limits.

46. With respect to GATT articles, he said that Brazil envisaged a final agreement on the transformation of the General Agreement into a permanent and effective set of multilateral rules on international trade; that would be achieved through the renouncement by all Contracting Parties of the Protocol of Provisional Application, whereupon GATT would be fully incorporated into their domestic legislation. The maintenance of the current provisions of article XVIII:B, which addressed balance-of-payments problems, should be assured, as they were an essential part of the balance of rights and obligations assumed by developing countries under the General Agreement. For Brazil, the flexibility now provided by article XVIII:B was even more important in the light of the structural economic reform the country was going through.

47. As to subsidies and countervailing measures, his Government was of the opinion that the evolving rules should ensure the possibility for countries to apply countervailing duties to protect domestic industries through the application of fair duties and of procedures which did not constitute non-tariff barriers, as well as the provision of a fair and effective dispute settlement mechanism. As for trade-related investment measures, Brazil acknowledged the important role played by foreign investments in the development process. His delegation felt, however, that possible new disciplines in GATT should not address the investment measures per se, but deal with their adverse effects on international trade.

(Mr. Arslanian, Brazil)

48. On trade-related aspects of intellectual property rights, Brazil's commitment to the Paris and Berne Conventions as the appropriate instruments for the protection of intellectual property rights was widely known. In a constructive spirit, his Government had, however, agreed to discuss standards and principles related to the matter in the Uruguay Round, while reserving its position with regard to the results of the negotiations. His Government continued to regard with great concern the insistence with which some countries advocated the incorporation in GATT of substantive aspects relating to the protection of intellectual property rights.

49. His delegation was of the view that negotiations on trade in services had advanced more than those concerning any other area in the Uruguay Round. Brazil was convinced that a greater degree of liberalization of trade in services could be beneficial for all, provided that it took into account the needs and interests of developing countries.

50. Brazil was of the opinion that the negotiations in the Uruguay Round should continue to be based on the Punta del Este Declaration on money, finance, trade and development. Concern for the interests of a few should not be allowed to create additional obstacles in the already complex deliberations. Brazil was playing a constructive and active role in the Uruguay Round; it was committed to the success of the Round, and hoped that the multilateral trading system would emerge strengthened in its disciplines and rules, so that the threats of unilateralism and the proliferation of grey-area measures could be finally left aside.

51. Mr. KING (Trinidad and Tobago) said that his delegation supported the statement made by the Chairman of the Group of 77 on agenda item 79. Referring to the question of island developing countries, he said that conventional economics continued to measure the pace of development in terms of the rate of growth of national income, which was usually converted to per capita GNP for purposes of comparison. That provided an incomplete picture, and said little about the distribution of the costs and benefits of economic performance, particularly in the case of small economies. There was therefore a need to complement that concept with other criteria whereby development would be viewed as a multi-dimensional process which placed people at the centre, and allowed for their socio-economic, cultural and political improvement.

52. In the island developing countries, the per capita cost of developing and maintaining essential infrastructure was relatively high, especially in archipelagic States in which geography necessitated some degree of duplication in airports and harbours, which required very large capital expenditures. Such constraints were not always evident because of the continued dependence on GNP as the main measurement of economic growth, with little attention being paid to areas such as health, education and social welfare.

53. In countries such as Trinidad and Tobago, the small domestic market did not guarantee benefits from economies of scale. Activities directed at external markets came up against protectionist sentiments in the North, trade barriers and managed trade, which made it impossible to obtain the long-term benefits

(Mr. King, Trinidad and Tobago)

anticipated from the diversification and structural adjustment which had been undertaken at great social cost during the last decade.

54. A small island developing country had to exist with the reality that production must be concentrated on a few items only. Accordingly, fluctuations in the price of any one product had a great impact on short-term economic performance, and it was difficult to adjust to shifts in comparative advantages for the longer-term. Obstacles to trade were therefore particularly harmful to island developing countries.

55. Another critical element which must be addressed was the flow of financial resources on concessional terms, which was of the utmost importance for island developing countries. Many of those countries had experienced a long-term net outflow of resources, accompanied in some cases by contracting economies, with the loss of many jobs and a decrease in the standard of living, along with the diminished capacity of Governments to provide a safety net because of a contracting revenue base. The debt burden, which was the root cause of the net transfer of resources, therefore must be addressed.

56. Pursuant to General Assembly resolution 43/189, and guided by the declaration of the eighteenth special session of the General Assembly, in which it had been stated that the special development problems and needs of island developing countries should be addressed, the Meeting of Governmental Experts of Island Developing Countries and Donor Countries and Organizations had considered the special situation of island developing countries in June 1990 in New York. That meeting had adopted by consensus a strategic framework for those countries and his delegation hoped that the General Assembly would endorse that framework at its current session.

57. The focal point within the United Nations for programmes and activities related to island developing countries was the United Nations Conference on Trade and Development, which had a special responsibility to interpret and translate the mandates of the General Assembly into practice. His delegation had not been satisfied with the manner in which the issue of island developing countries had been treated in the United Nations, nor with the quality of the documentation provided for biennial consideration. It was therefore grateful for the intergovernmental meeting held in June 1990 and hoped that a new era with respect to the consideration of that agenda item was about to begin.

58. His delegation was aware of the difficulties faced by the United Nations to expand its work, given the limitation imposed by the regular budget and the implementation of recommendation 15 of the Group of 18. Nevertheless, despite those constraints, UNCTAD must make arrangements to undertake substantive work on island developing countries. Programme 15 of the medium-term plan (least developed, land-locked and island developing countries, and special programmes) had lumped several unrelated issues together in an unsatisfactory manner.

59. It would be preferable to divide programme 15 into four separate subprogrammes to deal with each of the issues. With such a structure, the subprogramme on least

(Mr. King, Trinidad and Tobago)

developed countries could be given the highest priority. If programme 13 was not revised, his delegation would insist that UNCTAD make the appropriate internal arrangements to ensure that it was possible for substantive work on island developing countries to be undertaken in its secretariat. To that end, UNCTAD should be provided with the financial and personnel resources needed to undertake the tasks.

60. Mr. HERNANDEZ (Chile) said that with three weeks to go before the end of the Uruguay Round, the Second Committee was again debating the important question of international trade, one of the focal points of the world economy. There undoubtedly was a close connection between trade and financing: for example, exchange rate fluctuations created major imbalances which eliminated comparative advantages and had a negative impact on long-term investment policies. The result was protectionist pressures, barriers to trade, incentives to non-competitive industries and the closure of markets, which in turn created further impediments to the growth of the developing countries and to their debt servicing capacity and eroded their ability to satisfy their import requirements, which had a negative impact on the world economy.

61. In view of the foregoing, it was essential to establish macroeconomic policies conducive to sustained economic development and to extrapolate from liberalized trade so that it could serve as a vehicle for the expansion of the world economy. Instead, the 1980s had witnessed the twilight of trade liberalization, as Governments which had been philosophically committed to freedom and liberal policies gradually but decidedly had closed their markets, creating a type of neomercantilism which ran counter to their historical principles and practices. It was precisely those Governments which had sought to convince the developing countries of the benefits of a system of trade open to all and, once the adjustment had taken place, with all its social consequences, those countries paradoxically now closed off their markets tightly, ignoring their own advice.

62. His country had achieved a profound transformation of its economy, which was continuing, in order to open it to the world through the substantial liberalization of trade and the elimination of non-tariff barriers and administrative decisions which hindered trade. The régime governing foreign investment, the field of services, transportation in particular, communications and financial services had been liberalized, and the revision of legislation on intellectual property had begun.

63. The response to that process of opening had been a sustained effort to impede the entry of Chilean products on major international markets, through administrative decisions, such as the so-called "marketing orders", phytosanitary regulations, complex quality control rules and other measures. The concept of national security had even been used to justify the adoption of unilateral measures which had meant a loss to Chile of nearly \$300 million. Moreover, notwithstanding its sustained open trade policy, his country still was unable to participate in the generalized system of preferences of one of its major trading partners.

64. Perhaps the most serious development was the introduction of constant,

(Mr. Hernandez, Chile)

repeated changes in the established rules of the game, whereby new mechanisms were devised to neutralize the search for comparative advantages that would enable his country to expand its trade options, even though the major industrial Powers had until recently been critical of the fact that the developing countries had not had stable rules to facilitate trade and long-term investment.

65. While it was true that the world economy was expanding, the expansion was erratic and marginal in the developing countries, owing to such devices as voluntary export restrictions, which were by no means voluntary, and methodical market agreements on textiles, agricultural products, steel, footwear, electronic products, automobiles, etc., creating a debilitating system of administered protection. It was the developing countries that suffered the consequences of that trend, and in many of them, the cost of protectionism far exceeded the economic assistance they received.

66. Everything he had just described occurred outside GATT, an institution which was at a crossroads, for its capacity to administer international trade relations had decreased during the decade which had just ended, causing a return to bilateralism and sectoralism in trade matters. The principles and rules of GATT were fully valid today and, in less than ideal circumstances, GATT had become engaged in the most ambitious round of trade negotiations since its establishment, the scope of which went beyond traditional issues to include new ones such as foreign investment, the development of new technologies, intellectual property and services.

67. The Uruguay Round was very important owing both to the magnitude of the problems and to the expectations which it had generated, particularly with regard to the opening-up of traditional markets which had not been covered by GATT, as in the case of agricultural trade; it was therefore a unique Round. So far the general balance-sheet was not encouraging; although there had been progress in many important areas, others had seen no positive movement. In its statement on 5 November the Cairns Group had argued that the agricultural negotiations were in a state of crisis and that the responsibility for the crisis rested solely with the European Economic Community and its member States.

68. Perhaps the most serious problem affecting the Uruguay Round was that the expectations of the developing countries, especially with respect to the removal of the obstacles to market access as a result of the establishment of a multilateral trading system, were not going to be satisfied. The industrialized countries had tried to concentrate on the regulation of new areas, in which they would impose new obligations on the developing countries without making comparable concessions on market access.

69. It would be a pity if that was the result of the Uruguay Round, for it would lay the bases for a strange system of world trade centred on intellectual property, the development of technology and the expansion of services - where the industrialized countries had the biggest comparative advantages - while the traditional aspects of trade - where the developing countries had increasing capacities - would remain subject to the same treatment as before the Uruguay

(Mr. Hernandez, Chile)

Round, treatment which that negotiating process was designed to change for the better.

70. His delegation hoped that the ministerial meeting at Brussels might conclude with a document giving substance to the Punta del Este Declaration. The international community should use the Uruguay Round to secure an essential rapprochement in the economic and trading spheres comparable to the political détente occurring in the world, which must necessarily serve as an example with respect to apparently insoluble problems. His delegation was convinced of the benefits of a fair international trading system involving honest competition and governed by clear and durable rules which encouraged the development of comparative advantages and long-term investment; that objective was more important than the private and sectoral interests of individual countries and was the one to which the international community should aspire.

71. Mr. SYAHPERI (Indonesia) said that the beginning of the 1990s had seen remarkable historical changes of unprecedented proportions characterized by the vast integrative forces of regionalism and globalism. The progress towards a single market in the European Community by 1992 and the trade agreement between the United States and Canada, together with the unification of Germany, posed new challenges and opportunities for the developing countries. A further factor was the globalization of the world economy resulting from the integration of the USSR and Eastern Europe into it. The globalization of economic activities, the rapid innovations in science and technology, the revolution in communications and the emergence of new and powerful economic centres had drastically altered the patterns of production, consumption and trade and had resulted in major shifts in comparative advantage.

72. The outcome of the meeting of the Trade and Development Board were of particular interest to his delegation. With regard to the Board's resolution on the interdependence of problems of trade, development, finance and the international monetary system, it was imperative to improve international co-operation and restore a long-term approach to development which went beyond short-term adjustments. Given the increasing interdependence of countries and of the various issues, his delegation fully supported the Board's decision to invite Governments and the competent international institutions to support the development efforts of developing countries by providing them with additional resources and continuing to address the debt problem.

73. His country believed that an integrated approach to the environment and to development was of far-reaching significance for achieving international economic growth and tackling the causes of poverty and environmental degradation. UNCTAD must therefore incorporate that objective into all areas of its work. At the same time it would be necessary to ensure that the environment did not become a further excuse for conditionality in development assistance.

74. In order to create an external environment conducive to development, co-operation would have to be strengthened in several areas. For example, in the case of commodities, which were one of the main components of the development

(Mr. Syahperi, Indonesia)

efforts of developing countries and which had remained at very low prices, it would be necessary for all the parties concerned to take joint corrective action. Such a process could be facilitated by appropriate use of the Common Fund to promote commodities, diversification, marketing, processing and distribution. Such endeavours should be supported by the developed countries.

75. There had been some positive developments with regard to the debt crisis. The Toronto summit, for example, had decided to reduce the principle or interest on the official debt of the countries with lowest incomes. Furthermore, the Brady Plan had recognized the need for reduction of the debt owed by middle-income countries to commercial banks. Mention must also be made of the Board's resolution to assist the indebted countries which had consistently serviced their debt. Other initiatives had also been taken in the matter, but none of them would provide a final solution to the debt crisis.

76. In the post-cold-war period international trade must be the primary engine for the growth and development of the developing countries. It was to be hoped that UNCTAD VIII would address the need to promote international co-operation and that the Uruguay Round would be brought to a successful conclusion. However, the conditions which some developed countries attached to the lowering of tariff and non-tariff barriers and to trade in tropical products remained a source of concern. More constructive offers must be put forward in the agricultural trade sector, in keeping with the Punta del Este understanding.

77. Mr. Amaziane (Morocco), (Vice-Chairman), took the chair.

Draft resolution A/C.2/45/L.47 entitled "Commodities"

78. Mr. OSSIO (Bolivia) introduced draft resolution A/C.2/45/L.47 on behalf of the Group of 77 and summarized its contents for the Committee's information.

79. Mr. Papadatos (Greece) resumed the Chair.

The meeting rose at 5.30 p.m.