

UNITED NATIONS
General Assembly
FORTY-FIFTH SESSION
Official Records

SECOND COMMITTEE
4th meeting
held on
Tuesday, 9 October 1990
at 10 a.m.
New York

SUMMARY RECORD OF THE 4th MEETING

Chairman: Mr. PAPADATOS (Greece)

CONTENTS

GENERAL DEBATE (*continued*)

This record is subject to correction.
Corrections should be sent under the signature of a member of the delegation concerned
within one week of the date of publication to the Chief of the Official Records Editing Section, Room DC2 750,
2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

Distr. GENERAL
A/C.2/45/SR.4
22 October 1990
ENGLISH
ORIGINAL: FRENCH

The meeting was called to order at 10.15 a.m.

GENERAL DEBATE (continued)

1. Mr. LOOS (World Bank) said that the concept of development implied a choice of goals which, in turn, reflected a choice of values. Above all, it was about enabling all human beings to achieve well-being and to realize their full potential. It was thus necessary to combat poverty, hunger and ignorance.
2. Poverty, which currently afflicted one billion people, constituted a terrible waste of precious development resources, and any policy to promote growth must be complemented by redistribution programmes. That meant that one must not overlook the human dimension of development, starting with the well-being of children, who represented half the population of the least developed countries.
3. Population growth was a very serious problem and a threat to sustainable development. It was thus also necessary to ensure that women were integrated into development, for they made up a disproportionate number of the poor and their role in development was decisive, since they prepared children for life.
4. A direct attack must be launched on malnutrition, and measures taken to ensure food security. That was primarily a question of policy and commitment; unless children's needs were met, their productivity would remain low, further exacerbating the cycle of poverty. Education was the third strand that must not be overlooked in the fight against poverty. Moreover, environmental protection and development were closely linked, since poverty was a major cause of environmental degradation, and since, if sustainable development was to be achieved, resources must not be allowed to become depleted.
5. A solution to the problem of debt depended on the adoption by debtor countries of strong and effective structural adjustment programmes, adequate external financing by donors and the maintenance of a favourable external environment.
6. It was for the debtor countries themselves to face up to their responsibilities, by sustaining economic reforms and by not expecting the industrialized countries to raise them from poverty to prosperity. Those programmes would, of course, entail a reduction in living standards for the better-off segments of the population, but the results would make that sacrifice worth while.
7. The highly inflationary environment of the 1970s had been replaced in the 1980s by a deterioration in the terms of trade and by rising interest rates, complicated by macro-economic imbalances. It was those imbalances (whether their causes were external or internal) that the adjustment programmes must correct. Hence the concept, currently very widespread, of "structural adjustment lending" intended to support policies aimed at reducing external imbalances and encouraging the resumption of growth - sustained growth taking account of available resources and domestic demand, and also of price stability. Thus, in the short term, public

(Mr. Loos, World Bank)

expenditure and budget deficits must be reduced in order to bring about an adjustment of domestic demand to the level of available resources; and, over the longer term, economic institutions and policies must be made more flexible so as to lead to sustainable growth. Other alternatives - such as increased external borrowing, tighter domestic economic controls, or policies based purely on reducing demand - were not viable.

8. For their own part, the donor countries must take care that their assistance was not squandered on luxuries or excessive military spending, and must ensure that their debtors attained self-sufficiency. It was also essential to permit the developing countries to promote their exports.

9. Those adjustment efforts were crucial for the poor, since it was they who were the most affected by inflation and extensive price controls. Moreover, by fostering growth, adjustment programmes generated productive employment and reduced distortions, most notably in agricultural producer prices. As for the transitional adverse effects of adjustment on the poor, they were explicitly considered in the World Bank's adjustment programmes, which included projects intended to facilitate access by the poor to basic services.

10. Development and adjustment were thus indissolubly linked, whether with regard to adjustment to the new economic realities, or to changes in technology, or other factors. The capacity to respond to changes was fundamental to a resumption of economic growth. Countries could not live beyond their means, with or without the help of the World Bank and IMF. If the Governments of developing countries had the courage to introduce deep-seated and sustained reforms in their macro-economic policies, the international community would be ready to respond with swift, generous and sustained financial support.

11. Mr. DJOGHLAF (Algeria) said that the climate of ideological confrontation brought about by the bipolar management of world affairs and fossilized by years of cold war had yielded to détente, which had itself now been replaced by entente. However, that new world seemed to be being built without the knowledge or participation of those formerly excluded: the countries of the South which, once victims of the cold war, were also in danger of becoming the victims of the "war of bread" that the human race was waging against itself.

12. The prospects of a gradual reduction in the East-West conflict contrasted starkly with the continuing exacerbation of the North-South rift. The efforts of the countries of Central and Eastern Europe to become integrated into the world economy had recently led to concrete demonstrations of solidarity impressive in their proportions. Yet the very extent of that solidarity shed a singular light on the parallel and progressive disengagement of those same countries from the cause of development. For that disengagement was taking place at the very time when the industrialized countries were experiencing uninterrupted economic growth and while the countries of the South were undergoing an exceptionally protracted period of economic stagnation and recession. The positive results of the eighteenth special session of the General Assembly had still to be implemented.

(Mr. Djoghlaïf, Algeria)

13. The economic reforms (often even more sweeping than those taking place in Central and Eastern Europe) that had courageously been introduced some considerable time previously by a number of so-called developing countries, particularly in Africa, were being undermined by an unfavourable economic climate, but also by the drying up of external sources of financing and the drain on financial resources brought about by the net negative transfer of resources from the poorest to the richest countries of the planet.

14. The United Nations Programme of Action for African Economic Recovery and Development, which was drawing to a close, had still not led to any tangible outcome. Furthermore, while only six months had been needed to set up the European Bank for Reconstruction and Development, more than 15 years of arduous negotiations had been necessary for the creation of a Common Fund for Commodities whose capital was a quarter the size of that of the new bank.

15. The special high-level meeting of the Economic and Social Council to be held at Geneva in 1991 in order to discuss the impact in all areas of the evolution in East-West relations on the countries of the third world was thus of particular significance. It should make possible the adoption of measures to ensure that the long-awaited collapse of the iron curtain was not accompanied by the perilous creation of a horizontal curtain screening the destitution of the overwhelming majority from the opulence of the few. It should also ensure that the Declaration resulting from the eighteenth special session did not remain a dead letter.

16. It was indeed discouraging to note that the undertaking given on that occasion to transfer additional financial resources to the countries of the South that were fighting environmental degradation had been called into question after only a few months.

17. Mr. VORONTSOV (Union of Soviet Socialist Republics) said that the forty-fifth session of the General Assembly was taking place at a time when the climate of political confrontation and cold war was giving way to a spirit of co-operation and understanding in the search for solutions to the burning global issues. That spirit of co-operation was essential if crises such as the current crisis in the Persian Gulf were to be avoided.

18. The new spirit of co-operation and solidarity which could be seen in the United Nations in the political sphere was also to be observed in the multilateral economic negotiations, as shown by the Declaration adopted at the eighteenth special session of the General Assembly. That Declaration should be followed up by the international development strategy for the fourth United Nations development decade, the text of which would shortly be adopted.

19. One of the major areas for co-operation was environmental protection. The United Nations Conference on Environment and Development, to be held in 1992, offered a unique opportunity for strengthening solidarity. The General Assembly should ensure the most favourable conditions for the Conference, preparations for which should, of course, facilitate the adoption of urgent and practical

(Mr. Vorontsov, USSR)

environmental protection measures, such as the establishment of a United Nations centre for emergency environmental assistance, as recently proposed to the United Nations.

20. The Soviet Union had been the witness to and the beneficiary of an unprecedented demonstration of the successful working of international co-operation in the United Nations system, immediately after the Chernobyl disaster and later with the adoption by the Economic and Social Council of resolution 1990/50, sponsored by 63 States, on the consequences of the disaster. Consideration of the Chernobyl issue at the current session should produce new agreements which would contribute to better co-ordination of efforts by Member States and international organizations in that field.

21. The dynamic processes of democratic reform in the Soviet Union and the countries of Eastern Europe had been duly appreciated at the eighteenth special session of the General Assembly, which had supported the integration of those countries into the world economy. Progress in that area depended primarily on the Eastern European countries themselves. Considerable progress had already been made in the USSR towards the decentralization and liberalization of foreign trade and the full integration of the country into the international division of labour and the world economic system. There could be no doubt that such participation would be instrumental in creating favourable conditions for the improvement of the world economy and the stabilization of world markets.

22. Since the preceding session of the General Assembly, the Soviet Union had been granted observer status with the General Agreement on Tariffs and Trade (GATT), had become a member of the European Bank for Reconstruction and Development, and had participated in the work of the forty-fifth joint session of the World Bank and the International Monetary Fund. It was ready to co-operate actively with those bodies and to respect their rules and practices.

23. With the end of the cold war, resources previously used for military purposes would be released for social and economic programmes. It should be noted that a reduction in military expenditure was also possible in the South. Because of its vast experience, the United Nations would be able to deal with the most dramatic challenges, as the focal point of international co-operation. That was true particularly of the external debt crisis, which had still not been settled: foreign debt continued to grow, as did the net transfer of financial resources from the developing countries. Vigorous efforts were needed under the auspices of the United Nations, and the Soviet Union was ready to participate in those efforts.

24. The events in the Gulf had shown how unstable and volatile the world economic situation could be. In a matter of weeks, the situation in many oil-importing developing countries had deteriorated sharply. Speaking recently before the General Assembly, the Minister for Foreign Affairs of the Soviet Union had stated that immediate action was required. While the recent decisions by the World Bank and the International Monetary Fund on urgent measures to support those countries which had suffered most were to be commended, further steps were needed to help

(Mr. Vorontsov, USSR)

them to calculate the potential implications of the crisis in order to adjust their economic policies. The Second Committee and the Economic and Social Council had the necessary means.

25. If the United Nations was to be as dynamic and effective in the economic sphere as it had recently become in the political field, it would have to improve the mechanisms for co-operation, in other words improve the quality of the work of the Second Committee, the Economic and Social Council and other intergovernmental bodies, so that they would be better able to resolve world economic problems and ensure co-ordination of the macro-economic policies of States, for the benefit of all.

26. Mr. WOLFF (Colombia) said that, after a decade of disappointment and recession, the developing countries hoped that the first half of the 1990s would see the revival of their dynamic for growth. Many of them had accepted the need for painful and sometimes traumatic domestic adjustment programmes, at the risk of toppling their own political stability and jeopardizing the very basis of their democracy. Unfortunately, while it was possible to abolish subsidies, increase prices for fuel and public services, raise exchange rates, open up markets, privatize the economy and increase taxes, it was not possible to change the psychological characteristics of the population from one day to the next and eliminate the many structural factors which accounted for a large number of the elements that made up underdevelopment. Unless more could be done for human beings in the fields of health, education and employment, there would be no escape from the vicious circle which paralysed development. Economic adjustment must therefore be accompanied by massive social development programmes under the impetus of Governments themselves and the international community. It would be simplistic to think that the adjustment programmes recommended by the international financial institutions were the real way to solve the problems of underdevelopment. If that were so, the task would be easy, and the results already apparent.

27. Until the debt crisis had been finally resolved, there could be no optimism about the prospect of a revival of growth and development. Notable efforts had been achieved, such as the Toronto programme and the Brady Plan, but there was still much to be done. The limitations of the strategy for resolving the debt crisis were well known: the strategy was based on voluntary action, local implementation and entirely inadequate resources. It was essential to seek new solutions, to have the courage to escape once and for all from the morass of external debt and stem the haemorrhage that was sapping the economies of the South. The reports of Mr. Bettino Craxi and the Secretary-General could give rise to a modest optimism, and the Secretariat must seize what might be the last opportunity to exert a decisive influence on the debt question.

28. Colombia was concerned at the way the Uruguay negotiations were proceeding and had doubts about their outcome. A process which was so complex and so important should not be allowed to collapse. The negotiations should not exclude agricultural produce and should not merely confirm advantages already gained by the developed countries.

(Mr. Wolff, Colombia)

29. The process of opening up and privatizing their economies that the developing countries had undertaken at great sacrifice should be based on the effective dismantling of the developed countries' protectionism. A good many developed countries maintained the system of quotas, countervailing duties and other mechanisms which limited the freedom of trade which they championed. Yet the current opening up of the economy involved enormous risks for employment and domestic production in the developing countries. The continued refusal of the developed countries to permit a real transfer of technology to the developing countries was contrary to the basic principles of international co-operation and at the same time openly discriminatory.

30. The sluggish flow of aid was also alarming. It was being exacerbated by the systematic failure of the authorities of some large countries to implement measures that had none the less been agreed upon. That had led to the application of new criteria for the allocation of financial aid, at the expense, unfortunately, of vulnerable groups of middle-income countries, a matter the Latin American countries and Colombia viewed with concern. They had no objection to increasing aid to the least developed countries, but thought that the prosperity of the developed ones should lead those countries to increase the amount of their aid to all developing countries instead of engaging in subterfuge by resorting to complicated allocation formulas.

31. The Declaration of the eighteenth special session of the General Assembly should open up a new dialogue between North and South. The Second Committee should consider and confirm the opportunities that were available. After long and complicated negotiations some degree of consensus had been reached regarding the new international development strategy. Some of the legitimate aspirations of the developing countries had not been explicitly reflected in the text; the latter was, nevertheless, a good catalogue of the goals to be pursued in the decade that lay ahead. The strategy had the virtue of clearly showing the close links that must be forged between economic development and the social aspects of development.

32. As a developing country Colombia had always tried to keep its external debt under control by maintaining a dynamic and stable economy. That gave it the necessary authority to stress that certain large developed countries had an obligation to pursue domestic policies designed to stabilize the international economy, and particularly interest rates and capital flows to and from the developing countries.

33. Mr. SILOVIC (Yugoslavia) said that, with the end of the cold war, the contours of a new international economic order were taking shape, giving cause for hope that the basic problems of mankind and its development would be solved. Hunger, poverty, the ever-widening gap between the developed and developing worlds, the degradation of the environment and population problems remained on the agenda.

34. In the past year, the international economic environment had not improved for the majority of developing countries. In both developed and developing countries growth had generally been slower than anticipated. External and fiscal imbalances

(Mr. Silovic, Yugoslavia)

had continued to widen, preventing the developing countries from effecting necessary structural adjustments. The net outflow of financial resources had not been stemmed. The morally unacceptable practice of having the developing countries finance the growth of the developed countries was being maintained and no substantial progress had been made in resolving the external debt crisis, which remained the principal obstacle to growth. The Brady Plan had been only a partial success and affected only a few countries. Stability of the commodity market was not in sight. Protectionism continued to be on the rise everywhere despite the agreement on standstill and roll-back. The Uruguay Round of negotiations were encountering difficulties.

35. The Gulf crisis had further exacerbated the situation for most developing countries. The sharp increase in oil prices had already had negative repercussions on the world economy by feeding inflation and creating fear of a new recession. The energy-poor developing countries would be the most affected. In addition, those that co-operated with Iraq and Kuwait were already suffering the adverse effects of the crisis. In the case of his own country those effects came at a particularly sensitive period of structural transformations and reforms that might be seriously threatened if no possibility was found internationally to compensate for the enormous losses. The measures that were being taken to deal with the consequences of the crisis should be commensurate with the damage sustained and should be extended to all countries involved.

36. There were, however, certain favourable developments. The General Assembly's special session on international economic co-operation had been a turning-point in the history of economic co-operation. Yugoslavia also hoped that the international development strategy for the fourth United Nations development decade would be adopted by consensus. That would attest to the globalization of the economy and the need for dialogue. That dialogue had made it possible to resolve a number of regional crises and had facilitated various disarmament processes. It should therefore be extended to the economic field.

37. Yugoslavia was implementing a new, radical and comprehensive programme of economic reform based on the convertibility of its currency, liberalization of trade and prices, stimulation of market mechanisms and deregulation, in a word, the opening of the economy to outside competition. It had achieved a number of very encouraging results in a relatively short time. Hyperinflation had been cut to single digits, foreign currency reserves had increased and new laws on foreign investment had had a stimulating effect on capital flows into the country. Even so, success depended upon the determination and discipline with which that reform would be carried out; the external economic environment must not, however, be unfavourable.

38. Progress must therefore be made at the current session in implementing the commitments undertaken at the special session. A number of tasks still had to be carried out. Other measures must be taken to reduce the total debt and debt-service through innovative solutions. He hoped that the report of Mr. Bettino Craxi would make an important contribution to solving the problem.

(Mr. Silovic, Yugoslavia)

Conditions conducive to a multilateral co-ordination of economic policies must then be established. Access to the developed countries' markets for the traditional exports of developing countries must be widened on the basis of a balanced, open and dynamic multilateral trade system. Mechanisms to facilitate the transfer of science and technology, particularly of environmentally sound technologies, must be established. Lastly, international co-operation in the protection of the environment must be strengthened, which meant that the concept of sustained development must be translated into reality.

39. Those issues were also being debated in other international forums. However, the United Nations had a unique role to play in resolving those central interrelated problems facing mankind. As the Secretary-General had pointed out, there was a close relationship between political and security issues and economic and social ones. That called for further strengthening of international mechanisms for international economic and social co-operation.

40. Mr. GOPALA MENON (Singapore) said that in one year the international political situation had greatly improved but that the same was not true for the economic situation. The United Nations still had 42 Member States in the category of the least developed countries. For them the 1980s had been a lost decade marked by falling per capita income, declining investments, worsening of the balance of payments, etc.; moreover, the debt problem had continued to grow more serious for a large number of developing countries. In 1989 their total debt had stood at \$US 1.14 trillion, resulting in large net transfers of financial resources to the developed countries. In 1989 alone those had amounted to \$US 26 billion. At the same time, despite some limited progress in the Uruguay Round of negotiations, protectionism was rampant and hindered the development of trade in the developing countries. In addition, commodity prices remained unstable and depressed thereby defeating the efforts of the developing countries to diversify and revitalize their economies. Lastly, disarmament and the end of the cold war had not produced the expected results. The ODA of the developed countries remained below 0.7 per cent of GNP, with the exception of some, such as the Nordic ones.

41. However, the new climate of international co-operation should provide an opportunity to resolve those problems, narrow the gap between North and South and create a framework for security arrangements and truly equitable economic relations. To create such a framework, a new vision of international economic co-operation was needed. Its goals should be (a) to revive the world economy for the benefit of both the developed and the developing countries; (b) to promote world peace and stability through prosperity and co-operation and (c) to create an integrated global economy covering all regions so as to prevent the marginalisation of the third world.

42. To achieve those goals, the developed countries should open their markets, provide debt relief to poor countries, increase their development aid and facilitate transfers of technology. For their part, the developing countries needed to undertake the necessary structural reforms and provide the political stability and infrastructure required for investment. Such an approach would

(Mr. Gopala Menon, Singapore)

create conditions that favoured the economic development of the world as a whole, not just one part of the world.

43. It should be borne in mind that assistance from the developed to the developing countries would benefit both. At the same time developing countries should not rely solely on the developed countries but should also help themselves. Accordingly, Singapore had been one of the first countries to applaud the efforts of the Group of 77 in favour of the developing countries and to ratify the agreement on the Generalized System of Trade Preferences among those countries.

44. The post-cold war era set new challenges for the international community, which was attempting to establish a new international order. That order was already being tested by the Gulf crisis and the resulting uncertainties. The threat to the environment posed another challenge. The United Nations Conference on Environment and Development, scheduled for 1992, should provide an opportunity for concerted action to promote environmentally sound and sustainable development.

45. As a small island State Singapore was dependent on an open, stable international economic system, and it would support all efforts to strengthen ties between North and South and among all groups of countries in general. The Second Committee had an important role to play in shaping an equitable new international order, since it was the only forum in which the major international economic issues were discussed in depth. It was imperative for the Committee to provide integrated and balanced solutions to all current economic problems. The time had come to create a global framework that would bring international economic détente to match the international political détente.

46. Mr. AL SALLAL (Kuwait) said that the rapprochement in 1989 between East and West had heralded the beginning of a new era of co-operation and development. Détente and disarmament would make it possible to devote resources to the fight against poverty, help developing countries and eliminate the imbalances between North and South. Convinced that the world had become safe, peaceful and prosperous, the international community had forgotten that the forces of evil had not laid down their arms. Those forces, for whom the concepts of co-operation and peace were meaningless, had chosen Kuwait as their target.

47. Kuwait was a peaceful country whose only battles had been against poverty and ignorance. The high standards that it had attained in education, health and social care were proof of the success of its domestic policy. Internationally, it had devoted enormous resources to helping Arab and other friendly third world countries, and had consistently shown great generosity.

48. That stability, prosperity and security had aroused the hatred of the neighbouring forces of evil. Following its invasion of Kuwait, Iraq had appropriated all of the country's public and private assets and bank deposits. It had helped itself to the State's gold reserves, had confiscated the Kuwait Airways fleet and, had engaged in widespread systematic pillaging of the country's ministries, universities, institutes and hospitals. The damage was incalculable.

(Mr. Al Sallal, Kuwait)

49. Yet Iraq had not managed to quench the hope of the Kuwaitis, who continued to believe in the forces of virtue and in friendly co-operation. In his speech of 27 September 1990, the Amir of Kuwait had announced a new initiative under the terms of which Kuwait would write off the interest on its loans to developing countries and would consult with the poorest nations concerning arrangements for repayment of the principal with a view to easing their debt burden.

50. He thanked the members of the Second Committee who had expressed their support and their willingness to work with his country to combat injustice and to lay the foundations of a future in which freedom would triumph.

51. Mr. BOECK (Austria) said that the secret to fighting poverty was development. The situation was particularly worrisome in the least developed countries. Their actual annual GNP growth rate had fallen far short of the target set in 1980 and was about 10 per cent less than the population growth rate. Having assumed responsibility for their own development, those countries had undertaken structural reforms and had attempted to mobilize their own resources. That in no way diminished the responsibility of their development partners. As Austria had pointed out at the recent United Nations Conference on the Least Developed Countries, while nothing could replace domestic efforts, external resources, in particular official development assistance (ODA), were of crucial importance in overcoming the problems specific to the least developed countries.

52. Austria was prepared to do its part and to strengthen its co-operation with the developing countries. Its current development programme targeted the development problems of the 1990s: poverty, social needs (nutrition, health and education), human resource development, institution building, entrepreneurship, agricultural and rural development, and investment in infrastructure.

53. Austria contributed development funds to United Nations organizations, international financial institutions and regional development banks. It had, for example, arranged a co-financing programme with the World Bank under which it committed 1 billion schillings for the countries of Sub-Saharan Africa. Another 1 billion schillings was earmarked for that programme. With structural adjustment programmes, it was of primary importance to avoid placing the main burden of such measures on the shoulders of the socially and economically weaker strata of society.

54. Austria welcomed the efforts of the Eastern and Central European countries to move towards pluralism and democracy. It fully supported that process and had already created certain instruments to support it, including an East-West fund of 5 billion schillings to assist investors who wished to make direct investments in Eastern Europe. At the same time, the Bretton Woods institutions had an important role to play. It therefore believed that the Ninth General Review of Quotas of the International Monetary Fund should be completed as soon as possible so that the new schedules could take effect.

(Mr. Boeck, Austria)

55. Recent developments in the Middle East made adequate funding even more urgent. The adverse effects of the oil price increase heightened the vulnerability of the economies of Central and Eastern Europe and exacerbated the debt burden of the developing countries. Thus, it was necessary to find ways to ease that burden. Austria supported multilateral initiatives for debt-service reduction, especially for the poorest countries. That was why the Austrian Parliament would be asked to consider a bill to reduce or cancel official Austrian claims on certain countries of Sub-Saharan Africa.

56. Since Austria too was concerned about environmental degradation in the world, it welcomed the idea of a global environmental facility. Negotiations leading up to its establishment should be concluded in the near future, and, when the time came, Austria was ready to make an appropriate contribution to it.

57. Economic growth and development also depended on the expansion of world trade and the liberalization of the international system of trade. Austria was fully committed to the current Uruguay Round and felt that its outcome was likely to be positive. The unique opportunity it offered for bringing the world's trading partners closer together could not be missed. However, in order to seize that opportunity a contractual framework was needed, especially now that GATT was rapidly becoming universal in scope. Austria welcomed the efforts of the European Community to improve the legal status of GATT and to turn it into a full-fledged international trading organization.

58. The United Nations was playing an increasingly prominent role in the current global political climate and now needed only to assert itself at the economic level. That would mean maintaining the spirit of dialogue and co-operation which had characterized the seventh session of UNCTAD, the eighteenth special session of the General Assembly and the second United Nations Conference on the Least Developed Countries. The Second Committee in particular should take a pragmatic, creative approach to its activities, always working in a spirit of consensus.

59. Mr. MONTAÑO (Mexico) noted that the end of the cold war opened up new opportunities for more intensive international co-operation in the field of economics. If the détente process was to be as fruitful as it could be, it was essential for the industrialized countries to keep the commitments they had made in the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted at the eighteenth special session of the General Assembly. Similarly, the International Development Strategy for the 1990s should also provide a framework for future activities and establish a climate of dialogue and concerted action among all the countries concerned.

60. Actually, all the developing countries were caught in the grip of serious economic problems, including external debt, outflows of resources to the benefit of the developed countries, deterioration of their terms of trade and difficulties in obtaining access to large markets and advance technology.

(Mr. Montaña, Mexico)

61. With regard to debt-related problems, he said that international initiatives recently taken in that connection represented a significant step forward since the need to reduce the volume of the debt and its servicing was now acknowledged. If practical results were to be obtained, however, the Governments of the creditor countries, banks and international financial institutions would have to recognize the division of responsibilities. The creditor countries should amend their financial regulations and the accounting rules of banks if the negotiations aimed at reducing the servicing of the external debt of the developing countries were to accomplish their purpose. At the same time, the industrialized countries would have to increase their contributions to international financial institutions considerably if the latter were to play the role assigned to them successfully. In negotiating the debt, consideration should be given to the development objectives of the debtor countries, their capacity to pay and the terms on which the debt had been contracted.

62. With regard to multilateral and bilateral financial flows, it was vital that they should be rechannelled in the direction of the developing countries in order to enable them to experience transformation and modernization. Technology had become a major factor of development, and international co-operation should aim to ensure that the countries of the South had access to the most recent scientific and technological discoveries.

63. Present economic developments in the Eastern European countries and their integration into the world economy called for the mobilization of additional resources. There was need to ensure that resources were not allocated to those countries to the cost of the countries of the South merely out of geopolitical considerations.

64. The Uruguay Round had revealed underlying difficulties in the various negotiating groups. The resurgence of protectionist practices hindered the establishment of an open and dependable system of trade. His Government had launched a tremendous free trade programme and trusted it would not be the only Government to do so. It challenged all participants in the Uruguay Round to try to ensure its success.

65. Another serious problem affecting the developing countries was that of poverty. His Government had assigned top priority to the elimination of that scourge. It had launched a national programme of solidarity for meeting the most pressing needs of the most underprivileged groups in the country, with particular attention paid to the predicament of children. For that reason it had participated in the World Summit for Children and had subscribed to the commitment made by the international community to take concrete action for the protection of children.

66. Turning to another issue, he said it was for the General Assembly, in accordance with resolution 44/207 on protection of global climate for present and future generations of mankind, to negotiate, with the full participation of the developing countries, the finalization of an international legal instrument on that subject. International co-operation was indispensable where the environment was

(Mr. Montaña, Mexico)

concerned, and the Intergovernmental Panel on Climate Change should be convened to consider that issue. Mexico attached great importance to environmental problems and felt that the Conference on Environment and Development scheduled for 1992 should result in binding legal agreements.

67. He ended his statement by reminding the representatives that the absence of development and social progress could have a more negative impact on world stability than conflicts and warfare.

68. Mr. BHATIA (International Monetary Fund) said that five points should be taken into account in the debate on development. The first was that not only had the developing countries explicitly assumed responsibility for their development, they had also endorsed the macro-economic policy needed to achieve the sustained growth of their economies, providing for a non-inflationary fiscal and monetary policy, the free play of market forces, a fair and predictable tax system, realistic exchange rates and a more limited role for the public sector. The second point was that the community of donors had accepted its share of responsibility for the acceleration of growth, including provision for such elements as appropriate development assistance, domestic industrial policy and the struggle against inflation. The third point was the acknowledgement that external assistance was increasingly linked to domestic efforts and in particular to structural adjustment programmes. The fourth point was that if growth was to be sustainable, poverty, human relations and the environment should be taken into account and popular participation invited. The fifth and last point was that the world in general was short of savings while the requirements of the developing countries and the Eastern European countries exceeded total world savings. The countries concerned would therefore have to compete in order to attract the limited flow of savings.

69. That having been said, the improvement of East-West relations gave rise to a feeling of optimism, although the prospects opened up were clouded by the crisis in the Middle East. Since the requirements of development and military expenditure were financed out of surplus savings in the industrial countries, growth would be slower, pressures on prices more acute, international interest rates higher and the balance of payments of individual countries more precarious. That did not, however, imply the need to change the priorities on which the international community had agreed in recent years. Quite the contrary, in the view of the International Monetary Fund, they should be pursued more vigorously than ever.

70. At the recent IMF and World Bank meetings there had been a collective determination that, on the basis of certain reasonable hypotheses regarding oil prices, the situation was manageable within existing institutions and available instruments. But that determination was based on the further assumption that the mistakes of the 1970s would not be repeated. The current situation demanded a firm policy response: oil-price increases must be passed on fully to consumers, and the industrial countries must not ease their monetary policies prematurely to accommodate inflationary pressures, but must promote savings and support investment. A successful conclusion to the Uruguay Round was crucial, if the goals

(Mr. Bhatia)

envisaged in the declaration adopted at the eighteenth special session and in the International Development Strategy were to remain realizable. By opening their economies to the developing countries' products, industrial countries would be making up for the shortfall in the aid required by the developing countries.

71. The developing countries' goals had obviously not changed; the question was whether their policies had changed. In the past, economic strategies had had some common elements, which he recalled briefly. However, the Gulf crisis underscored an even greater need to raise domestic savings in the developing countries in order to offset the decline in resources emanating from emigrant workers' remittances. An export-oriented strategy could also compensate for the decline in foreign-exchange inflows and for the increased oil bill. Such a strategy would be the only logical response by developing countries to their legitimate demands regarding protectionism and access to the industrial countries' markets. By maintaining their competitiveness through appropriate financial, exchange and trade policies, the developing countries should be able to pursue the goal of sustainable growth. Perhaps a slight shift in emphasis towards export promotion, in its dual aspect of diversification and competitiveness, was called for.

72. It was, of course, important not to neglect the issue of debt, which was more a growth issue than a balance-of-payments issue. The recent IMF and World Bank meetings had been characterized by an exceptional number of constructive proposals and initiatives to alleviate the burden of official debt on low-income countries. It was necessary to support those initiatives, including the initiative to raise IMF quotas, and encourage developing countries to implement strong reform programmes.

73. He was confident that the General Assembly would reaffirm the goals and policy prescriptions underlying the declaration adopted at the eighteenth special session, the Programme for the Least Developed Countries and the International Development Strategy. He hoped that the General Assembly would do so with an added emphasis on domestic policies to raise savings, added pleas for a successful conclusion to the Uruguay Round, added support for the new initiatives on debt, and added encouragement to developing countries to pursue export-oriented policies and to industrial countries to provide the needed international environment for global prosperity.

74. Ms. TOMKINSON (Australia) said that many developing countries had been unable to meet the challenges confronting them and had fallen behind in the development process. In fact, the difficulties loomed as large as ever. Events in recent times had served as a reminder of the great impact that political developments could have on the international economy. Whereas the developments in Eastern Europe had presented opportunities for the international community, the events in the Persian Gulf were a sharp reminder of the continuing importance of oil as a source of energy, and of the vulnerability of the international economy.

(Ms. Tomkinson, Australia)

75. One of the persistent problems remaining in the 1990s was that of debt. The level of international debt had grown to unprecedented proportions, with the result that a large percentage of the earnings of many developing countries was diverted from productive investment into servicing the foreign debt. At the same time, the low levels of domestic savings and the high budget deficits sustained by some of the major industrialized countries, especially the United States, prevented interest rates from falling. Current attempts to reduce fiscal imbalances in the United States were being followed very closely in Australia.

76. However, the responsibility for finding the means to address the debt problem rested with the whole international community. The largest international economic Powers had the largest influence over global economic conditions, and they needed to find more effective means of lowering international interest rates and providing a more stable international economic environment. At the same time, debtors needed to improve their national economic policies. Some developing countries, mostly in Asia, had maintained good debt-servicing records, but it would be wrong to conclude that they were at the same time able to fund satisfactory levels of national development. The Asian region still contained most of the world's poor people.

77. One of the major avenues for promoting growth in developing countries and overcoming the debt problem was the expansion of international trade opportunities. Protectionism distorted international trade patterns and denied producers the opportunity to trade competitively in world markets. In addition, domestic subsidization of uncompetitive domestic sectors, particularly agriculture, hindered structural change and perpetuated inefficiencies. Yet protectionism had taken on many forms, and it had been shown that the incidences of non-tariff measures had doubled over the past two decades, with the result that they now affected up to half of world trade. The World Bank has estimated that protectionism reduced developing countries' income by an amount as much as twice that of development assistance each year. Australia fully accepted its responsibility to contribute to the reform of the international trading system and to dismantle protectionist barriers. It urged others to do likewise.

78. The Uruguay Round contained a broad negotiating mandate that made progress possible in all areas, including those of particular interest to developing countries, such as agriculture, natural-resource-based products, tropical products and textiles. In recent times there had been liberalizing and restructuring trends in many countries in Central and Eastern Europe, in the Asia/Pacific region and in Latin America. A successful outcome to the Uruguay Round was critical to a continuation of that trend, and the Round's success should therefore be accorded the highest priority.

79. Many developing countries were still heavily reliant on commodity trade. International commodity agreements had, however, failed to contribute significantly to the stabilization of commodity markets. The recent experience of such markets suggested that the operations of commodity agreements must be consistent with market realities.

(Ms. Tomkinson, Australia)

80. Another major challenge to international economic development in the 1990s would be the preservation of the environment. Australia was firmly committed to the pursuit of environmentally sound development, and recognized that industrialized countries had special obligations to examine appropriate means of providing developing countries with financial and technological assistance to enable them to share in that pursuit.

81. But there were other obstacles that only developing countries themselves could properly address. One of the most significant among them was population pressure. Ensuring that people in developing countries had the opportunity to plan the size of their families was an essential ingredient in the development process. The statistics on population projections were frightening. Countries that failed to come to terms with the implications of those projections could hold little hope for their economic futures. Economic reform and restructuring were also matters that could be addressed only at the national level. Measures to reduce deficits and improve creditworthiness, the encouragement of entrepreneurship, the opening of economies to market forces, human resources development, a reduction in unproductive expenditure, including military budgets - those were all facets of development in the 1990s. The preservation of human rights was also a vital aspect of creating the necessary environment for creativity and individual enterprise essential to economic development.

The meeting rose at 1.10 p.m.