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PROVISIONAL VERBATIM RECORD OF THE ONE HUNDRED AND TWENTY-FIFTH MEETING

Held at Headquarters, New York,
on Tuesday, 29 April 1986, at 10.30 a.m.

President: Mr. DE PINIÉS (Spain)

- TRIBUTE TO THE MEMORY OF MR. RAUL PREBISCH
- SCALE OF ASSESSEMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS [122] (continued)
- CURRENT FINANCIAL CRISIS OF THE UNITED NATIONS [150] (continued)
 - (a) REPORT OF THE SECRETARY-GENERAL
 - (b) REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS

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The meeting was called to order at 11.25 a.m.

TRIBUTE TO THE MEMORY OF MR. RAUL PREBISCH

The PRESIDENT (interpretation from Spanish): Before continuing with the debate on the item on our agenda for today, it is my sad duty to inform the Assembly that Mr. Raul Prebisch, the illustrious Argentine economist, died last night on an official visit to Santiago, Chile. Mr. Prebisch will be remembered by everyone as a distinguished Argentine who was particularly active throughout his entire career in Buenos Aires. He contributed greatly to the development of the Economic Commission for Latin America (ECLA), in which he held the post of Executive Secretary from 1948 to 1962. After filling various other functions in the field of economics, he served as Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) in Geneva from 1964 until 1969; Under Secretary-General for United Nations Emergency Operations and as a member of many universities. He also received many awards for his international activities.

On behalf of this Assembly and the Secretary-General and on my own behalf, I wish to convey to his family and to the Argentine Government and people our deepest condolences.

I would invite representatives to observe a minute of silence in tribute to the memory of Mr. Raul Prebisch.

The members of the General Assembly observed a minute of silence.

The PRESIDENT (interpretation from Spanish): I call on the representative of Yugoslavia.

Mr. GOLOB (Yugoslavia): A very distinguished life has expired and a towering personality has disappeared from the international scene, and on the occasion of this sad event I should like to say a few words on behalf of the Group of 77.

(Mr. Golob, Yugoslavia)

The Group of 77 has learned with profound sorrow that Mr. Raul Prebisch, distinguished and illustrious economist and public figure has passed away. He will be remembered by all of us as a man whose spirit, knowledge, wisdom and energy changed the thinking on approaches to international economic issues and to international co-operation for development.

He made a very distinguished and valuable contribution to the analysis of the post-war economic scene and especially to a better understanding of what he termed the relationship between the centre and the periphery. He was one of the motivating forces and spirits behind the establishment of the United Nations Conference on Trade and Development (UNCTAD) and he became its first Secretary-General. He had been active in this field all his life and only a couple of days ago, when we met with him here, he was as eager as always, imparting his knowledge and experience to all of us.

(Mr. Golob, Yugoslavia)

As I said at the beginning, we mourn Mr. Prebisch's death, and we hope that as many as possible - we need them - will be able to fill his shoes. I ask the representative of Argentina to transmit our heartfelt sympathy to his family and to the Government of Argentina.

Mr. MUÑIZ (Argentina) (interpretation from Spanish): It is my painful task today to pay a posthumous tribute to a distinguished internationalist and compatriot, Raul Prebisch. With his death, we have lost one of the most outstanding international economic thinkers. His work was not confined solely to study and research on economic matters; he also played an active part in the formulation of projects and concrete action to solve problems that fundamentally affect the developing countries.

Raul Prebisch's influence went beyond national frontiers and was felt throughout Latin America through the Economic Commission for Latin America (ECLA), of which he was the first Executive Secretary. The developing world supported his actions when he was appointed first Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), and the effects of his work are still felt there.

In the Argentine Republic Mr. Prebisch was counsellor to successive Governments, which had recourse to his experience and wisdom in adopting important social and economic measures. He was the founder of my country's central bank, a measure that constituted a landmark in the creation of political, financial and economic instruments. He also occupied important public offices on various occasions. Recently, President Alfonsín appointed him one of his closest collaborators, giving him the rank of Minister without Portfolio.

(Mr. Mufiz, Argentina)

All of us who knew Mr. Prebisch will always remember his great wisdom, his dispassionate thinking and his profound knowledge of economic problems, based on his sound academic training and long experience.

Raul Prebisch has died, but his thinking and his deeds will continue to inspire and guide us.

AGENDA ITEM 122 (continued)

SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS

The PRESIDENT (interpretation from Spanish): Before continuing the debate on agenda item 150, I wish to draw attention to document A/40/1108, which contains a letter addressed to me by the Secretary-General regarding the scale of assessments. I also wish to stress that, as reflected in that letter, since yesterday Guinea-Bissau has made the necessary payment to reduce its arrears below the amount specified in Article 19 of the Charter.

May I take it that the General Assembly duly takes note of that information?

It was so decided.

AGENDA ITEM 150 (continued)

CURRENT FINANCIAL CRISIS OF THE UNITED NATIONS

- (a) REPORT OF THE SECRETARY-GENERAL (A/40/1102 and Corr.1 and 2 and Add.1 and 2)
- (b) REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (A/40/1106)

The PRESIDENT (interpretation from Spanish): Before calling on the first speaker for this morning, I propose that the list of speakers in the debate on this item be closed on Wednesday, 30 April, at noon.

May I take it that there is no objection to my proposal?

It was so decided.

The PRESIDENT (interpretation from Spanish): I therefore request those representatives wishing to participate in the debate to have their names put on the speakers' list as soon as possible.

Mr. GOLOB (Yugoslavia): We are very happy, Mr. President, that we can draw upon your experience and wisdom. This is not a run-of-the-mill series of meetings, and we are ever more in need of your guidance and advice.

Speaking on behalf of the Group of 77, I wish to begin with words of gratitude to the Secretary-General for his efforts to help overcome the current financial crisis of the United Nations.

The Secretary-General sensed that a financial crisis was in the offing, and he was flagging the issue even before the General Assembly suspended its session in December. Since then he has taken a number of commendable steps to cope with the situation, including the request for the resumption of the fortieth session. We earnestly hope that his efforts will be fruitful and will enable the United Nations to rise to the challenge of the moment. We urge him to proceed with his efforts within the area of his competence. We pledge our support and co-operation in that enterprise.

The Group of 77 considers that the present crisis is of a political nature. For some time there have been increasingly frequent attempts to weaken and curtail the role of the United Nations system and to erode the principles of sovereign equality and democratic functioning on which the Organization is based.

Developing countries have always considered the United Nations to be the best international forum for dialogue and negotiation - a forum with the central role in the maintenance of international peace and security and the peaceful settlement of international disputes and crises; in the achievement of the exercise of the right to self-determination of peoples under colonial domination; in the enhancement of international co-operation in all fields and the establishment of equitable and

(Mr. Golob, Yugoslavia)

just economic relations; and the strengthening of peaceful coexistence, détente, disarmament and development.

In the past 40 years the United Nations and its specialized agencies have accomplished significant results in many fields and have contributed to the economic and social progress of all countries and peoples. The participation of Heads of State and/or Government at the observance of the fortieth anniversary testified to that and to faith in the future of the Organization.

(Mr. Golob, Yugoslavia)

Developing countries are determined to preserve and build upon those achievements to make the Organization more responsive to changing realities and to the emerging challenges to peace and development.

The democratization of international relations, implicit and inevitable in such a process, has not been accepted by those that seek to preserve their privileged positions of power and domination. The failure to accept and abide by the principle of sovereign equality lies at the core of the crisis. Not only that: at the core is a concerted attack from some quarters on the United Nations and some of its specialized agencies, an attack that shows itself as a crisis of multilateralism.

The decisions and resolutions of these organizations have been increasingly ignored contrary to the obligation of States to respect them. Thus the United Nations has been weakened as a forum for deliberation and negotiation on important economic and political issues.

The developing countries have been and will be the staunchest supporters of the United Nations. After all, the United Nations is the place we come to when our independence is being threatened, and is the place we come to when we need a hearing and support for just causes regarding self-determination and development. Yes, we do need a stronger and better United Nations.

The current financial crisis of the United Nations should in our view be dealt with primarily politically, in a comprehensive and integrated manner.

The Group of 77 - that is, I submit, two thirds of the entire membership - stand ready to explore all possibilities within the provisions of the Charter that would enhance the effectiveness of the Organization. They are ready for a responsible discussion of all issues in an orderly manner and in an appropriate forum. They have been and will continue to be firmly against unilateral actions designed to force changes in the decision-making processes, changes that would

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lead to the abandonment of the democratic principle of the sovereign equality of all States established by the Charter.

The Group of 77 considers the use of financial power to impair the functioning of the Organization to be contrary to the accepted norms of international behaviour. They are of the view that any withholding of assessed contributions to the United Nations represents a deliberate violation of obligations under the Charter, which is a universal treaty freely entered into. Such withholding of assessed contributions, on whatever basis and for whatever reason, with the objective of altering the basic character and purposes of the United Nations undermines the foundations of international law and confidence in the rule of law.

Developing countries and their Group of 77 are prepared to carry their part of the burden and to do their share to bring about serious, durable and negotiated solutions to the financial and other problems confronting the United Nations. They are ready to consult and they are ready to co-operate with other States Members of the United Nations with a view to arriving at appropriate arrangements to preserve and strengthen the Organization's ability to function more effectively.

The report of the Secretary-General on the current financial crisis of the United Nations gives us a comprehensive insight into various aspects. We in the Group of 77 have studied it very carefully, and we shall be ready to share our assessments with other delegations in order to arrive at decisions that would have the least impact on the adopted programme of work.

Relying on the figures provided in the second addendum to the report, we assume that the financial viability of the United Nations has improved as a result of the appeal by the Secretary-General. One is led to wonder whether our task has not become easier than it seemed earlier. We do hope that in the course of our deliberations some more light will be shed on this issue.

(Mr. Golob, Yugoslavia)

In this connection may I also refer to the fact that no official information on the withholding of assessed contributions from the regular budget has been made available as yet, and that certainly makes our task more difficult.

We are fully aware of the difficulties and dilemmas that faced the Secretary-General while he prepared his suggestions and proposals. Let me say frankly that for all of us in the Group of 77 it is equally difficult, and I may say even painful, to deal with a situation that is meant to reduce United Nations programmes and other activities, even more so as we have not been able fully to assess the manifold implications of all the proposals made as well as the extent of the savings they are expected to generate.

We appreciate the effort by the Secretary-General to formulate proposals covering many different areas with potential for savings. However, we are not inclined to treat all the proposals on an equal footing. It may perhaps be useful if the priority for implementation of different proposals were to be assigned to those that would least affect the programmes and other important activities of the United Nations.

Another remark of a general nature I should like to make relates to the burden of adjustment. It may be appropriate, for instance, in the opinion of the Group of 77, to reduce the expenditure on the Economic Commission for Europe so that more resources would be available for other regional commissions.

Next, in order fully to grasp the meaning and scope of the different proposals, we believe that they should be thoroughly examined and further clarified from the technical point of view. We submit that this should be done by the Fifth Committee, which should be reconvened in order to perform this task. For instance, in the paragraph dealing with the deferment and reformulation of programmes there are some elements that require additional explanation before a final decision can be made.

(Mr. Golob, Yugoslavia)

The chapter on meetings contains proposals many of which have serious implications for activities to which the Group of 77 - and not only the Group of 77 - attaches high importance. It would therefore be difficult for the Group not to consider with due attention each one on its own merit. Let me emphasize that we would not be able to agree to the curtailment by three weeks of the forty-first session of the General Assembly or by one week of the meetings of the Economic and Social Council and of the Trusteeship Council. The same is true for some other proposals contained in the same section of the document.

The proposal that a target reduction of 30 per cent be established in the number, duration and frequency of the meetings of the bodies outside of Headquarters is, in the opinion of the Group of 77, of a rather sweeping nature and hence requires the provision of additional information and very careful consideration.

We would also wish to consider more thoroughly the proposals related to the verbatim and summary records. Multilateral meetings without records would mean that what was said was without value or devoid of meaning. In the last analysis, the words we use are the means of communication, and, as the Latins used to say, "verba volant, scripta manent" - that is: the spoken word is fleeing; the written word is lasting.

Our approach to the report submitted by the Secretary-General is positive and motivated by the desire to uphold his commendable intentions. While we seek more clarity on a number of points, we do so with a view to arriving at a better understanding of their overall scope and content. The preparations for this resumed session have been made under constraints of time. That is why we must make every effort to achieve solutions that will have the least adverse effect on the Organization. We should keep in mind that all the measures we are called upon to

(Mr. Golob, Yugoslavia)

take are of a temporary nature and should not prejudice the longer-term decisions to be taken by the General Assembly at its forty-first session.

Finally, a note of caution may be in order. We are all aware of the innumerable examples that nothing - or hardly anything - lasts longer than what was first envisaged as a temporary measure.

Mr. KURODA (Japan): We have learned with profound sorrow of the passing away of Mr. Raul Prebisch. With his broad and deep knowledge of international economics and, with vision and imagination, he guided the course of international trade and development, in particular by contributing to the establishment of the United Nations Conference on Trade and Development (UNCTAD). The passing away of Mr. Prebisch is a tremendous loss to the international community. On behalf of my delegation, I should like to express our profound condolences.

The gravity of the financial problems confronting the United Nations can hardly be over-emphasized. Indeed, the situation is critical. The Secretary-General has defined it as the most serious financial crisis in the history of the United Nations. My delegation is deeply concerned about the effects of the crisis on the stability and orderly functioning of the Organization.

Without doubt, the current crisis is a direct consequence of the withholding and delayed payment by some Member States of assessed contributions to the regular and peace-keeping budgets. We are seriously concerned that those Member States are not fully meeting their financial obligations under the United Nations Charter.

At the same time, my delegation would like to point out that the more deep-rooted and longstanding concerns expressed by many Member States over the lack of fiscal restraint, attention to efficiency and productivity in the operation of the Organization form the background against which the current crisis should be seen. It is my delegation's conviction that a comprehensive solution will not be found unless political agreement among Member States on financial issues is

(Mr. Kuroda, Japan)

achieved and increased efficiency and enhanced effectiveness through administrative reform are realized. To that end, co-operative efforts by Member States and the Secretary-General are vitally important.

In recognition of the seriousness and urgency of the anticipated financial shortfall, my delegation earnestly hopes that at this resumed session of the General Assembly it will be possible to find a workable solution to the current financial problems as speedily as possible.

We understand that the Secretary-General's report dealt with only the immediate cash shortfall problems, presenting measures to preserve the viability of the Organization during the transitional period until broad agreement on fundamental budgetary issues can be reached. We share his hope that a long-term strategy for restoring the United Nations to financial health will be studied in depth by the Group of High-level Intergovernmental Experts to review the financial and administrative functioning of the United Nations.

Nevertheless, in view of the fact that any immediate steps must be based on a clear understanding of their implications for a long-term strategy and that a comprehensive solution might require a longer period than envisaged in the Secretary-General's report, my delegation would have welcomed the inclusion in the report of an outline for a medium-term strategy. My delegation expects that the Secretary-General will make an important contribution to the search for a comprehensive solution.

In addressing the difficulties, the United Nations must make every effort to reduce expenditures to the level of actual income and to ensure the orderly functioning of the Organization. This is all the more necessary, since those countries fulfilling their responsibilities cannot be expected to compensate for those that are not, particularly in view of the continuing difficult domestic

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financial situation of many Member States. In this regard my delegation appreciates the efforts the Secretary-General has made so far in seeking economies and achieving savings in various fields.

(Mr. Kuroda, Japan)

In particular, we understand that the Secretary-General has presented at this stage a set of measures as a package, based on his best judgement as the chief administrative officer. At the same time, we are concerned about the possible impact of some of the measures. A recruitment freeze will have significant implications for the composition of the staff in the long run, particularly in terms of geographical distribution. As the most seriously underrepresented country in the United Nations staff, Japan is deeply concerned that prolongation of the freeze might reverse the progress recently made in improving geographical distribution. We therefore hope that in implementing the freeze special consideration will be given to the underrepresented countries.

The reduction of operating costs while maintaining the same level of staff on permanent contract will make it difficult to achieve a balanced distribution of resources and to implement programmes effectively. In seeking a more streamlined Secretariat, we do hope the Secretary-General will present a plan for tightening staff requirements as soon as possible. In controlling personnel costs, which account for three quarters of the total United Nations budget, treating staff members differently simply according to whether their contracts are permanent or temporary will not solve the problem of how to make the Organization operate more efficiently.

Although there are some elements of concern to my delegation among the measures proposed for deferment, my delegation is prepared to go along with the Secretary-General's proposed package of measures so long as other delegations do the same. We strongly urge that they do so.

We are, however, concerned at the fact that the Secretary-General's savings measures are still far below the anticipated shortfall, despite somewhat optimistic assumptions regarding expected income and saving.

(Mr. Kuroda, Japan)

In meeting the remaining shortfalls, increases in the Working Capital Fund, external borrowing, advance payment of future assessed contributions and other similar steps are simply palliative measures that only postpone the hard decisions that must be made. We must also point out that it is quite unusual to ask for advance payment to meet currency shortfall.

In the view of my delegation, efforts should be made to reduce expenditures further as necessary. Potential receipts from voluntary contributions or payments of arrears outstanding for some years should not be seen as the solution to the longstanding and deep-rooted concerns.

Since this is the most serious financial crisis in the history of the United Nations, significant economies must also be achieved through increased productivity, particularly in the areas of administration, management and conference services. In the programme area too it will be possible to streamline activities and improve effectiveness by eliminating obsolete activities, deferring low-priority activities and correcting overstaffing. Further initiative by the Secretary-General will facilitate the process and assist Member States in taking appropriate action. My delegation will spare no effort to co-operate with the Secretary-General and other Member States in carrying out this most difficult and painful task and in the search for a comprehensive and pragmatic solution to the difficulties confronting us.

The essential element underlying any measure to establish financial stability is the acceptance by all Member States of their obligation to pay their assessed contributions promptly and in full. The latest status of contributions set forth in A/40/1102/Add.2 clearly lists the many Member States that are consistently late in paying their contributions. Since becoming a Member of the United Nations 30 years ago, Japan has borne an ever-increasing financial assessment and has consistently endeavoured duly to fulfil its obligations. Our steadfast commitment

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to the causes of the United Nations is reflected in the positive support we extend to the Organization. This year my Government managed to remit its assessed contribution in full immediately after the National Diet approved the budget for Japan's fiscal year 1986.

The United Nations is now 40 years old and at a critical stage in its development. It is essential that the Organization make a serious effort to adjust to the changing conditions and needs of the international community. In its history the United Nations has confronted serious financial difficulties and has overcome them each time through the co-operative efforts of Member States and the Secretary-General. We sincerely hope that we will be able to find a solution to the current crisis. The Japanese delegation thus hopes that the United Nations will not lose the momentum it has already achieved in its efforts to revitalize itself so that it may continue to work for the peace and welfare of the people of the world in the years to come.

Mr. FERM (Sweden): May I at the outset present the deep condolences of my delegation to the delegation of Argentina on the death of Mr. Raul Prebisch. He made great contributions to this Organization. His name was also respected in my country, and we will remember this distinguished citizen of Argentina and, indeed, of the whole world.

Six months ago world leaders confirmed from this rostrum their continuing commitment to the United Nations. The commemorative session of the General Assembly was an impressive manifestation of a shared belief by Member States in the need for multilateral co-operation in our increasingly interdependent world. In spite of their often sharply different opinions on the many substantive issues on the agenda of the United Nations, they voiced unanimous support for the Organization as such and eloquently underlined its indispensable role in international relations.

(Mr. Fern, Sweden)

Yet, only a few months after that memorable event, the Secretary-General has been compelled to take the extraordinary step of asking the General Assembly to reconvene because of the gravity of the financial situation of the Organization.

The Swedish Government finds it deeply disturbing that an Organization of such importance as the United Nations should have to be placed in a situation where it cannot fulfil its mandated activities because of failure on the part of several Member States to live up to their financial obligations under the Charter. As we all know, the sums involved are small according to any yardstick. The United Nations cannot possibly be a financial burden to any country.

(Mr. Ferm, Sweden)

We have now reached a critical moment in the history of our Organization. The Organization's future will depend on how its financial problems are solved. The position of Sweden has always been and remains that the principles laid down in the Charter retain their full relevance. The principle of collective responsibility for the expenses of the Organization, embodied in Article 17, must be upheld. The Organization belongs to us all. Every Member State is equally responsible for ensuring its viability. The only alternative to abiding by the rules of the game is anarchy, which we can ill afford.

The long-standing financial problems of the United Nations and the current financial crisis are the result of several factors. One such factor is the lack of discipline in paying assessed contributions. Why is it that so many Member States which greatly benefit from the programmes of the United Nations are compounding the financial difficulties of the Organization by chronic late payments?

Another reason for the difficulties is the practice of selective withholding, for political reasons, of assessed contributions. This is in contravention of the Charter. It represents a problem which has for a long time created difficulties for the United Nations. In the case of peace-keeping operations, it has placed an additional financial burden on troop-contributing countries. In this respect, we have noted as an admittedly small but yet encouraging step in the right direction the recent decision by the Soviet Union and Bulgaria to support the operations of the United Nations Interim Force in Lebanon.

At the same time, we note with grave concern the withholding by the Soviet Union from the regular budget of more than \$40 million as of 31 December 1985. To this must be added cumulative withholdings with respect to certain peace-keeping operations on the order of \$146 million.

(Mr. Fern, Sweden)

The current crisis, however, has been precipitated by legislation enacted in the United States last fall. If that legislation is implemented, a financial shortfall will result on the order of \$100 million for 1985 and 1986, that is approximately 10 per cent of the regular budget of the Organization. The United States had already embarked a few years ago on the regrettable and dangerous course of selective withholding of assessed contributions. Now the United States is indicating a continuation of that course of action on an unprecedented scale, in clear contravention of the Charter and of the international treaty obligations of the United States.

The financial weight of the United States as the largest contributor, combined with the lack of forewarning and precision as to the exact amount of the shortfall, has greatly intensified the crisis and placed the Organization in an intolerable situation. The Swedish Government deeply regrets the decisions taken by the United States, which contradict the traditional and generous support by the United States, one of the founding fathers of our Organization, for the United Nations and its ideals.

It is clear that the financial crisis cannot be ascribed exclusively to any one of the factors I have just mentioned. The crisis is the cumulative effect of withholdings by a considerable number of Member States, together with late payment of assessments. Thus the Organization has become greatly vulnerable to the impending shortfall from the United States.

At this critical moment, we cannot escape the conclusion that those Member States - in fact, a near majority of the membership - which continue to be in arrears on the order of some \$50 million - the figures may vary - carry a heavy responsibility for the financial difficulties of our Organization. If they fulfilled their obligations under the Charter, the crisis would be reduced to

(Mr. Ferm, Sweden)

manageable proportions. It is in the interest of all small and medium-sized countries that the poor example set by two major contributors in meeting their financial obligations under the Charter should not be allowed to spread.

It is obvious that the present crisis is not merely, or even predominantly, a financial one. Its real nature is political, given the massive disregard for Charter obligations and the lack of agreement among Member States on fundamental issues of financing and priorities. Comprehensive solutions affecting many areas of the Organization must be reached in order to obtain a sound financial basis for its future activities. Such a process has been initiated, notably through the establishment of the Group of High-level Intergovernmental Experts. The Swedish Government strongly hopes that the Group will be able to present to the General Assembly this fall a set of concrete recommendations on these long-term problems. One such problem is the method of assessing contributions. We believe that a more even sharing of the costs under the regular budget would be in the interest of the Organization as a whole.

The General Assembly will address those fundamental matters when considering the report of the high-level Group this fall. We have gathered this week for the limited yet vital purpose of taking the decisions necessary to enable the Organization to overcome the financial crisis in its immediate dimension.

In his report, the Secretary-General has presented his proposals for the solution of the immediate crisis. The report has had to be prepared under severe constraints, and we would have preferred to discuss matters of possible savings, streamlining and increased efficiency and effectiveness - matters which my delegation has emphasized for many years - on their own merits rather than dealing with them in a situation of a manifest threat of bankruptcy.

(Mr. Fern, Sweden)

Given the extraordinary circumstances, my Government finds the concrete proposals for a short-term adaptation to the expected funding shortfall to be, on the whole, balanced. It is important that the proposed measures have been designed to be taken without prejudice to forthcoming decisions of a more long-term nature. My delegation further attaches weight to the fact that the Advisory Committee on Administrative and Budgetary Questions has endorsed the proposals of the Secretary-General. In our view they should be considered as a package not to be taken apart, in order not to jeopardize a highly desirable consensus decision. I note as an encouraging sign that several delegations have already supported the Secretary-General's proposals.

We understand that the Secretary-General views the report as a first step in a continuing process and that he intends to pursue his efforts in co-operation with the high-level Group. In our view, the Secretary-General, as the chief administrative officer of the Organization, has a most important role to play in dealing with this crisis. My delegation would like to encourage him to use to the maximal extent possible the capacities of his high office to assist Member States in finding constructive solutions to the problems facing the Organization.

My delegation strongly endorses the appeal by the Secretary-General to Member States to comply with the provisions of the Charter by promptly paying arrears and by meeting current assessments. My delegation further favours the speedy approval by the General Assembly of the package of savings of \$30 million proposed by the Secretary-General in addition to the savings of the same amount which he has already undertaken. Sweden would also be prepared to assist by an advance payment in covering the additional costs anticipated as a result of the depreciation of the United States dollar.

(Mr. Fern, Sweden)

Member States should demonstrate their commitment to the Organization and to multilateral co-operation by supporting solutions to this crisis. The financial crisis, after all, has not been caused by the Secretariat or by the staff. It has been caused by the Member States themselves.

What we now have to decide is how to deal with the immediate problems confronting the Organization. The Secretary-General has proposed the necessary measures. It is now up to us, the Member States, to live up to our responsibility.

Mr. WOOLCOTT (Australia): The United Nations is facing the most serious financial crisis in the Organization's history.

This resumed fortieth session of the General Assembly has been convened at the request of the Secretary-General to address this crisis. In his report the Secretary-General has made it very clear that the financial problems are of such magnitude that they will have profound implications for the future viability of the Organization.

It is important that we all recognize the dimensions of the problem we are addressing. While the Secretary-General has been largely successful in focusing international attention on the financial crisis, there are still those who are inclined to underestimate the seriousness of the problem. In effect, we are confronting a shortfall of approximately \$275 million. It is only through the total exhaustion of the Organization's financial reserves that the deficit can be reduced to \$76 million. It is regrettable that the situation has been allowed, year by year, to deteriorate so far.

Without reserves, the United Nations will be left with no operating capital on 1 January 1987. The Australian delegation believes, therefore, that by focusing on the lesser \$76-million figure we underestimate the full extent of the deficit.

The true dimensions of the shortfall should serve to remind us that we face a long-term task in restoring the soundness of the finances of our Organization. It is not merely a question of immediate cash flow problems. Important reforms are required to restore financial viability and to improve budgetary practices. A beginning has already been made to achieve these reforms, for example in the establishment of the Group of Experts, but much still needs to be done. The process of reform will continue at the forty-first session of the General Assembly.

The Australian Government accepts without reservation the Secretary-General's judgement that the crisis is above all a political one. It has arisen from a

(Mr. Woolcott, Australia)

disregard for obligations flowing from the Charter and from a lack of agreement among Member States on such fundamental issues as programmes, the utilization of resources, the budget process and the apportionment of costs of the Organization.

Australia's strong and steadfast commitment to the United Nations and the multilateral system is well known and will not weaken. The United Nations plays a vital role in social and economic development around the world, including direct involvement in the delivery of development assistance. It sets valuable standards in respect of human rights and goals for disarmament.

The Australian delegation support for financial responsibility, economy and effective programme delivery within the Organization reflects the great store the Australian Government places on the United Nations in its varied roles. We want to see the Organization stronger and more effective. We believe it could - and should - serve better the interests of all Member States, without any harm being done to the basic principles of the Charter of the United Nations.

Article 17 of the Charter provides that the expenses of the Organization shall be borne by Members as apportioned by the General Assembly. The Australian Government accepts Article 17 of the Charter as a treaty obligation. We have always met our financial obligations to the Organization in full, and as from 1986 we shall pay our annual assessed contribution in a single payment early in the calendar year.

The Secretary-General's report shows that, as at 1 January this year, some 90 States were in arrears in their contributions for previous years, to the extent of \$242 million. At 31 March only 16 States - of which Australia was one - had paid their contributions for 1986 and owed no debt. This is a sad situation and a measure of decline. We ask: How can the United Nations operate effectively if its Members will not give support when and where it counts?

(Mr. Woolcott, Australia)

The Secretary-General's report also shows, as another element of the financial crisis, that the deficit attributable to withheld contributions for peace-keeping has increased from \$60 million to \$275 million over the past 20 years. This is the debt owed, not to the membership as a whole, but to comparatively few States - some of them small countries not well able to bear losses of any magnitude. It is also a debt owed, not by the generality of the membership, but of a comparatively small number of States. It is surely time that the Organization stopped turning a blind eye to this ever-mounting debt, which has the capacity to create a crisis of its own.

It is a matter for grave concern that for too long a number of Member States have ignored their obligations under the Charter. Unilateral withholdings of assessed contributions are incompatible with Article 17. They undermine the credibility, the financial integrity and the programmes of the United Nations; they place unacceptable additional burdens on those countries that do meet their financial commitments and that provide resources to the peace-keeping forces of the United Nations.

We deplore all withholdings and call on those Member States that have failed to meet their obligations to take steps to end this practice.

A second major reason for this financial crisis is the late payment of assessed contributions by a large - and, unfortunately, increasing - number of Member States. The Secretary-General reports that if all arrears were paid in full the immediate crisis would be resolved. My delegation notes with satisfaction that several countries have indicated that they will be taking steps to reduce the level of their arrears. We urge those that have so far failed to pay their arrears to do so as quickly as possible.

(Mr. Woolcott, Australia)

Australia shares the deep concern felt by the vast majority of Member States over the current financial crisis; but we also believe the crisis presents us with an opportunity.

There can be little doubt that, unless something is done to resolve the disagreement on the fundamental issues referred to by the Secretary-General in his report, the crisis will continue.

(Mr. Woolcott, Australia)

At the fortieth session of the General Assembly, Australia was one of the few major contributors to vote in favour of the 1986-87 programme budget. We did so because we recognized that the Secretary-General had made a genuine effort to bring real budget growth under control. However, we also expressed misgivings about a range of expenditure proposals, personnel costs, the lack of priority setting and the general absence of transparency in budget documentation. Most of the other major contributors clearly felt that their views had not been taken sufficiently into account in the budget process and, accordingly, they were unable to support the budget.

We must question the viability of a situation in which Member States that contribute approximately 80 per cent of the total revenue have expressed serious reservations about the size and content of the budget. Ways need to be found to give due regard to the views of the major contributors in determining the level of expenditure so that future budgets have the support of all Members.

Our objective at this resumed session must be to begin the task of eliminating the risk of a perpetual or recurring short-term financial crisis. In our view, this requires a new consensus on a range of issues relating to the budget of the United Nations. We cannot leave this task exclusively to the Group of High-level Intergovernmental Experts.

My delegation is well aware that the search for such agreement will be very difficult. From the statements already made this morning this is very evident. Agreement will require political compromises between widely different points of view, and it is essential to recognize that we cannot resolve the present crisis without making sacrifices. We acknowledge that some cuts will inevitably be painful, as the Permanent Representative of Yugoslavia said this morning, but we will all have to accept that some activities can no longer be funded from the

(Mr. Woolcott, Australia)

regular budget. Unless we rebuild consensus on the budget, withholdings are likely to increase and the United Nations is likely to continue down the path of decline.

My delegation does not agree with those who have argued that the resumed session should confine itself to the immediate short-term cash flow problems. We acknowledge that the Group of High-level Intergovernmental Experts has an important role to play in relation to resolving long-term problems, but we must not abdicate our responsibilities as Member States in the meantime.

We need to think seriously about the underlying causes of the financial crisis and to begin the search for solutions. One of the first steps in this process is to identify what is wrong with the existing system.

Perhaps the greatest single weakness of the present system is its inability to determine priorities in a clear and effective manner. Programmes and activities are mandated by the organs of the United Nations in response to the concerns and demands of Member States, as expressed in majority votes. Unfortunately, however, the Organization lacks an effective means of evaluating these programmes in themselves and in relation to one another, and of differentiating between the useful and the less useful programmes. We need urgently to establish priorities and to focus programmes to achieve substantial results that will satisfy genuine demands. It may be necessary to establish a new mechanism to cover both the programmatic and financial aspects of priority setting in a more co-ordinated manner.

Unless we can improve the existing mechanisms or establish a new mechanism that will enable Member States to determine priorities, we will go on paying for programmes that are neither needed nor effective. The resources of the United Nations are finite. We look to the Group of High-level Intergovernmental Experts to put forward recommendations aimed at establishing an effective priority-setting mechanism that will facilitate the deletion of low-priority programmes from the budget. This would be an important achievement for the Group.

(Mr. Woolcott, Australia)

In the interim, we call on the Secretary-General to identify those programmes and programme elements which, for whatever reason, are no longer meeting the needs of the membership. In urging this we acknowledge that it is ultimately for the Members to decide where the cuts are made. The failure of the Committee for Programme and Co-ordination to perform this part of its mandated function reinforces our conviction that there are serious shortcomings in this Committee.

Australia has reservations about the expenditure reductions proposed by the Secretary-General in his report. We recognize fully that he has made a considerable effort to eliminate the short-term deficit and that in so doing he has identified a number of potentially valuable long-term savings measures.

There is no evidence, however, that this exercise has involved a careful examination of permanent savings in areas of low priority. Too many of the proposals fall into the category of what might be called soft options; too few are aimed at permanently cutting back unnecessary and ineffective programmes. High- and low-priority programmes alike have been affected, apparently with little thought about important longer-term issues. In this regard we could support the comments made by the Permanent Representative of Yugoslavia on behalf of the Group of 77 that deeper cuts be made in low-priority areas, such as, for example, the Economic Commission for Europe (ECE).

We had frankly hoped for more carefully considered and substantial proposals involving deep and permanent expenditure cuts. The resumed session offered an opportunity to begin the process of reassessing United Nations expenditures, having regard to the resources available. We regret that the most difficult decisions will now have to be taken at the forty-first session and afterwards.

We are also concerned at the Secretary-General's suggestion that Member States make an advance payment of their 1987 assessed contributions to cover an estimated \$30 million in exchange-rate losses. The Australian delegation is opposed to this

(Mr. Woolcott, Australia)

practice in principle and we are unable to accept it in practice. We note in this regard that substantial gains from currency appreciation in previous years - which, in a better situation, should have been returned to Member States - have gone into the budget.

My delegation considers therefore that the Secretariat should identify further savings to cover not only this projected shortfall due to currency losses but also to address a further short-term financial crisis in January 1987. The Australian Government has consistently opposed borrowings by the United Nations and holds this view as strongly in the present circumstances. Nor could we accept the proposed increase in the Working Capital Fund.

To sum up, Australia is disappointed that an effort has not been made to address some of the fundamental issues that underlie the financial crisis at this resumed session. We had hoped that the Secretary-General would have gone further in his savings proposals on the basis of the Secretariat's detailed knowledge of where the cuts could and should be made.

(Mr. Woolcott, Australia)

We are concerned that, important though it is, the package we have been asked to approve does little more than to postpone the crisis for a few months. We urge the Secretary-General to make new efforts to identify further savings to cover an increase in the deficit later this year and in 1987, which he foreshadowed in his statement yesterday.

The resumed session provides an opportunity to begin the process of rebuilding consensus on major budgetary issues. We need to consider what we most want the Organization to do and then how best to fund that. Australia is certainly prepared to pull its weight and to try to play a positive role in that process.

The United Nations is too important to all of us, as the only truly international institution that we have, to be allowed to wither or become enfeebled, because of our inability to meet the challenge posed by the present financial crisis. If we fail to meet this challenge, we shall all lose.

Mr. DUBININ (Union of Soviet Socialist Republics) (interpretation from Russian): We wish to join in the condolences expressed to the delegation of Argentina on the passing away of the illustrious economist, Mr. Raul Prebisch. His activities in the United Nations Conference on Trade and Development (UNCTAD) and his contributions to the construction of international economic relations are well known. We share the sorrow of other delegations on this occasion.

In paying our respects to you, Mr. President, as an illustrious representative of a country with which the Soviet Union maintains close and friendly relations, we express the hope that your great experience in the diplomatic work of the United Nations will be of immeasurable assistance to us at this session.

The General Assembly is resuming its fortieth session in order to concentrate on the difficult financial situation that has evolved recently in our Organization.

(Mr. Dubinin, USSR)

It is clear that the difficulties of the United Nations are political in origin. For that reason it would be correct to analyse them within the context of international developments in general, the evaluation of the role of the Organization in the present-day world and the attitude to the United Nations of the various Member States. Such an approach would reveal the essence of the difficulties, help to determine in the most effective fashion ways of overcoming them and help promote the efficiency of the United Nations in the maintenance of international peace and security.

Everyone knows how tense and dangerous the overall international situation is. It is precisely for that reason that the most acute issue is to prevent the world from sliding towards a nuclear catastrophe and to turn world developments towards relaxation of international tension and peaceful co-operation, beneficial for all countries and all continents of the globe.

The desire to reach this objective inspired the Geneva summit between the General Secretary of the Central Committee of the Communist Party of the Soviet Union, Mikhail Gorbachev, and President Reagan, the eight-month-long Soviet moratorium on all nuclear explosions and the concrete programme for the complete elimination of nuclear weapons by the end of this century, launched in January. Those major initiatives have received broad international support. Hope was born for a change for the better in the political situation.

Unfortunately, that hope is being severely tested now. Recently new nuclear explosions were detonated in Nevada, thus destroying the unique opportunity to give a real start to the process of disarmament. Over a period of many days the Security Council had to deal with the United States aggression against Libya, an act that seriously aggravated the world situation and directly damaged the East-West dialogue. All of that cannot but cause the most serious concern.

(Mr. Dubinin, USSR)

Its overall fundamental approach to international affairs inevitably affects a State's approach to the activities of the United Nations as well. It is well known that the United States has taken a number of measures clearly aimed at applying a policy of coercion towards the United Nations. The United States withdrew from the United Nations Educational, Scientific and Cultural Organization (UNESCO) because that body's policy was not to Washington's liking. It has taken illegal steps to limit the privileges and immunities of the Missions of States Members of the United Nations. Recently the United States made an unlawful demand for a reduction in the staff of the Soviet, Ukrainian and Byelorussian Missions to the United Nations, and it has threatened to apply similar measures to some other Member States.

The United States arbitrary actions with regard to the financing of the United Nations are part and parcel of overall United States policy towards the United Nations. Those actions are the cause of the Organization's current financial difficulties, which are jeopardizing its ability to carry out its functions under the Charter.

The Soviet delegation is pleased to note that almost one third of the United Nations projected deficit will be covered through the savings effected by the Secretary-General under his own authority. It is particularly gratifying that that was done without detriment to the implementation of the main United Nations programmes. As we see it, that also attests to the validity of the view held by many Member States that the Secretariat has untapped resources that could be put to use in an effort to cover yet another substantial part of the current deficit. In our view, it would be desirable for Member States to encourage the Secretary-General to make further efforts in that direction.

(Mr. Dubinin, USSR)

It is well known that the Soviet Union was among those at the United Nations that pointed to the need regularly to rid United Nations programmes of activities that are obsolete, inefficient or of little value. As before, we are prepared to consider measures to eliminate dead weight from United Nations programmes. In our doing so, no damage should, of course, be done to United Nations programmes in the major areas.

(Mr. Dubinin, USSR)

It is also our view that the totality of measures taken by the United Nations Secretary-General and by Member States should not be used to cover the consequences of the arbitrary actions of the United States. The United States should bear full financial and political responsibility for the steps it has taken unilaterally. This includes the continued application of the financial rules of the United Nations, which, as is known, provide for the repayment of all savings to States Members of the Organization.

Now, what in more specific terms is the policy of the Soviet Union with regard to the financial difficulties being experienced by the Organization? It is determined by the Soviet Union's consistent approach to the United Nations. Most recently Mikhail Gorbachev replied to the message of the United Nations Secretary-General, saying, in particular:

"The Soviet Union has invariably attached great significance to the United Nations as an important instrument in the struggle for peace and international security. The Soviet Union is guided in this by the belief that the important tasks before the United Nations can only be carried out if the United Nations Charter is strictly adhered to and if a sound budgetary and administrative basis is secured for the Organization. The Soviet Union is also averse to any attempts to use the financial difficulties of the United Nations to bring political pressure to bear on the Organization or to hamstring its activities.

"The Soviet Union, by way of goodwill, is prepared constructively to facilitate the task of overcoming the financial difficulties of the United Nations and will take specific measures to this end. The Soviet Union will continue to support efforts to enhance the role of the United Nations in consolidating peace and developing international co-operation."

(Mr. Dubinin, USSR)

Today the Soviet delegation wishes to inform the General Assembly that, in response to the Secretary-General's appeal for financial support for the Organization, the Soviet Union has taken a decision to contribute US \$10 million to the Special Account established for the purpose of alleviating the Organization's financial situation. The Soviet Government has also made arrangements to advance the payment of the Soviet Union's contributions to the United Nations 1986 regular budget. An appropriate amount has already been paid towards the United Nations budget.

All who are interested in peace and disarmament and creating a better world free of wars, hunger and poverty need the United Nations. The United Nations is necessary to those countries that are forced to defend themselves against outside encroachments upon their national interests and their inalienable right to choose their own national way of life based on the principles of sovereignty and independence and the equality of all States.

A better world cannot be built unless all States renounce the use of economic and financial levers as a means of political coercion. It cannot be built without restructuring international relations on a just and democratic basis. For its part, the Soviet Union, as a founding Member State of the United Nations and a permanent member of the Security Council entrusted with particular responsibilities, has always been and will continue to be in favour of a stronger United Nations on the basis of the adherence of all Member States to the Charter.

The meeting rose at 12.55 p.m.

