



SUMMARY RECORD OF THE 3rd MEETING

Chairman: AL-ASHTAL (Democratic Yemen)

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The meeting was called to order at 3 p.m.

ELECTION OF OFFICERS

1. The CHAIRMAN informed the Committee that, following informal consultations, Mr. Finn Jonk (Denmark) and Mr. Oscar de Rojas (Venezuela) had been nominated for the two offices of Vice-President and that Mr. Boris Goudima (Ukrainian Soviet Socialist Republic) had been nominated for the office of Rapporteur.
2. Mr. Finn Jonk (Denmark) and Mr. Oscar de Rojas were elected Vice-President by acclamation.
3. Mr. Boris Goudima (Ukrainian Soviet Socialist Republic) was elected Rapporteur by acclamation.
4. The CHAIRMAN informed the Committee that the programme of work approved by the Second Committee was contained in document A/C.2/41/L.9. Although the list of speakers in the general debate would be closed at the end of that meeting the lists of speakers on other items of the agenda would remain open; he urged all members of the Committee who wished to inscribe themselves on those lists to do so as soon as possible.

GENERAL DEBATE

5. Mr. RIPERT (Director-General for Development and International Economic Co-operation) expressed the hope that the outcome of the East-West meetings and subsequent progress in disarmament and other negotiations - both within the United Nations and elsewhere - would give international negotiations on growth and development the sharp political impulse which they needed. The Ministers of Finance and Development had pointed out in Washington, that the recent decline in the growth of the world economy was, with characteristic asymmetry, affecting developing countries more severely than developed ones.
6. Fortunately, after 12 months a consensus seemed to be emerging on three broad policy orientations: (a) that correction of major imbalances within industrial countries and closer co-ordination of their individual policies were essential for stability and for steady global economic growth while structural adjustment proceeded within those countries; (b) that while developing countries must adjust their economies to changing conditions, such adjustment must take place in a context of growth and development, particularly in indebted countries. The international community should support that process especially by providing more open markets and ensuring an increased flow of finance to those countries; (c) that special efforts needed to be made for the low-income countries - especially, but not exclusively, in Africa. Building upon the work of the Economic and Social Council and of the Trade and Development Board, the Second Committee must strengthen and give impetus to concerted international action by helping to reconcile differences which might exist or subsist in different areas.

(Mr. Ripert)

7. With regard to the indebted developing countries, increased flows of private and public finance were of fundamental importance. The previous year the developing countries had made a net transfer of resources to the developed countries in the order of \$31 billion (reflecting \$54 billion in interest payments alone). It was no wonder that the debt/export ratios had worsened when a substantial part of the savings of the debtor countries had to be devoted to servicing their external debts rather than to growth-oriented investment.

8. A more lasting solution to the debt problem must be found as part of a political consensus based on shared responsibility of all parties concerned. Ways must be found of reducing the interest cost, directly or indirectly, and rescheduling of both public and private debt must be lengthened. Commercial banks and export credit agencies must be more forthcoming but governments must also encourage such measures through regulations and legislation. Direct investment must be encouraged and facilitated by mechanisms like the Multilateral Investment Guarantee Agency (MIGA) and the prompt adoption of the Code of Conduct on Transnational Corporations.

9. In the case of low-income countries, particularly African countries, debt write-off measures must be taken by Governments since a large part of their debt was official. Official development assistance must be increased to all those countries; multilateral agencies had already taken steps to that end. It was also necessary to significantly increase the effectiveness of such assistance through greater co-ordination and, as had been emphasized by the Development Committee of the World Bank and the International Monetary Fund, total bilateral and multilateral assistance must be increased. The move towards an agreement on the eighth replenishment of the International Development Association was to be welcomed, but the sum contemplated represented no real growth as compared to previous replenishments.

10. A more vigorous expansion of international trade was closely linked to global economic growth. At the Punta del Este meeting, not only had a compromise been achieved between the key industrial countries - which was essential - but the concerns and priorities of developing countries had also been taken into account. Subsequent negotiations, including those in the agricultural sector, must seek to provide early additional access to various markets for developing countries. The progressive roll-back of protectionist measures already agreed upon must be carefully monitored.

11. The present and prospective situation of commodities was unacceptable. The international community needed to ponder on the wisdom of providing developing countries with additional finance only to have it wiped out by the deterioration in the terms of trade. Agreements along the lines of the recently concluded cocoa agreement should be pursued for other commodities. The Common Fund should be made operational. Likewise, the compensatory financing facilities, including STADEX, should be enlarged and liberalized as a matter of urgency.

(Mr. Ripert)

12. The agreement achieved in the Trade and Development Board the previous week had given a positive impetus to preparations for the seventh session of UNCTAD. The General Assembly, when considering the report of the Board, would have an opportunity to encourage a harmonious build-up of that work. A successful conference would be a great contribution of the United Nations to solving several problems of concern to many Member States. It was essential that, as proposed, the session should include a ministerial phase. Consequently, 1987 would not be an appropriate moment for a possible ministerial session of the Economic and Social Council.

13. If growth and development were to be strengthened special attention would have to be given to energy as had been underlined once again in the report on the third session of the Committee on the Development and Utilization of New and Renewable Sources of Energy. Those resources played a crucial role in rural areas of developing countries where better conditions of life were needed in order to improve agricultural production and women's working conditions. The Second Committee would also consider a report on the energy situation in developing countries. It was necessary also to analyse the global energy issue. There was room for concern due to the prevailing excessively short-term horizon. While lower oil prices benefited the consumer countries they had led to a decline in exploration and a resurgence in consumption. The critical parameters of the global energy issue should be periodically discussed in the United Nations in a long-term view.

14. The Committee would also address issues relating to the situation in Africa. The Programme of Action which the United Nations had adopted in June provided a broad framework for action by the African Governments and the international community. The Secretary-General had made arrangements for monitoring the implementation of the Programme and a United Nations Steering Committee had been established and a Special Adviser designated.

15. Organizations and agencies of the United Nations system were reviewing their activities to ensure that they were consistent with the main thrust of the Programme. Consultations had just taken place between the Secretary-General and representatives of the Organization of African Unity and African Governments continued to make progress in implementing adjustment programmes and policy reforms. However, external resource availability remained a major constraint. At its most recent session the Development Committee had urged multilateral and bilateral agencies to assist in implementing the United Nations Programme for Africa and the Secretariat was organizing informal consultations in order to keep all interested delegations informed of developments in that area.

16. Higher levels of growth and development were essential. While the issues that he had raised covered the medium and immediate term, the United Nations must go beyond that and prepare for long-term structural change. The attempt to bring about a new international economic order had not generated sufficiently wide agreement, but that should not prevent the international community from adopting a pragmatic approach to structural problems, such as international monetary issues, guided by the need for greater stability, predictability and security in the international environment.

(Mr. Ripert)

17. The emphasis on the international environment was not inconsistent with continued attention being given to the requirement for sound domestic economic policies. In the industrialized countries discussion had focused on controlling inflation, monetary stability, improved fiscal management as well as on structural change designed to remove rigidities. In many countries deregulation and privatization had been regarded as part of the structural change. In the developing countries too, the focus had turned towards controlling inflation, reducing fiscal deficits and providing economic incentives, giving greater emphasis to agriculture and to human resources, and fostering private initiatives through greater reliance on market forces.

18. As consensus was more difficult to ensure on some of those issues relating to domestic policies, agreement might be reached on asking the Committee for Development Planning to address them.

19. There had been a sense of disappointment over the lack of concrete results of United Nations activities in the economic and social fields. There was, however, recognition of the useful work done in the provision of technical co-operation to developing countries, or in special fields such as population, environment, statistics and the role of women in development. Many representatives, especially those from developing countries, were disillusioned by the lack of progress on substantive issues and by the failure to arrive at negotiated agreements on the more important issues. The global negotiations had not been launched, work on the code of conduct of transnational corporations confronted severe impediments and, in spite of what had been envisaged in the Programme of Action unanimously adopted in Vienna, no viable, long-term, multilateral system had been established for financing science and technology for development. In some cases where negotiations had been successful, they had not been fully implemented, for example in the case of the Common Fund, or were inadequately implemented.

20. It was not appropriate to evaluate the efficiency of the United Nations and, in particular, of the General Assembly only in terms of the number of agreements negotiated or projects implemented. The United Nations provided a unique and universal forum for considering issues of importance to Member States, and gave an impetus to negotiations being conducted in other forums. The significance of such a deliberative process in the context of dramatically increased interdependence should not be underestimated. It was necessary to improve the exercise of those and other functions of the United Nations. The Committee might wish to continue the process of reflection which had been initiated in 1985, with the new stimulus provided by the report of the Group of High-Level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations.

21. Intergovernmental meetings should be focused more effectively and be better prepared. Member States should identify those issues which commanded the greatest degree of interest for the various groups and those which were ripe for negotiation or decision-making.

(Mr. Ripert)

22. Likewise, greater complementarity should be achieved between the work of the Economic and Social Council, the Trade and Development Board and the Second Committee and reflected in their respective agendas. The general debate on the overall economic situation should be better articulated. The Committee might wish to address that issue during the current session before the seventh session of UNCTAD at Geneva in 1987.

23. In recent years, the Economic and Social Council, the Second Committee and the Trade and Development Board had improved their organization and methods of work. The documentation for the Economic and Social Council and the Second Committee had been reduced and the quality of some important documents had been improved, particularly the World Economic Survey and the Trade and Development Report. Other intergovernmental bodies could adopt similar measures in the economic and social sectors.

24. Criticism had been levelled against the United Nations for adopting a large number of resolutions and decisions without adequate commitment to their implementation. There was, indeed, an extremely inadequate response by many Member States to the follow-up of some resolutions which had nevertheless been the subject of extensive and time-consuming negotiations. There seemed to be a consensus on the need for more selectivity, for consolidation of proposals, for making them more succinct and for ensuring that requests for documentation were more realistic. There was a need strictly to adhere to the biennial programme of work of the Second Committee and the Economic and Social Council and to avoid systematic requests for interim reports.

25. Co-ordination of the activities of the United Nations system was a matter which had assumed great importance for many Member States. The Secretary-General was to submit a comprehensive report thereon to the General Assembly in 1987. In July, the Secretary-General had expressed his views on the subject in an oral report. The Economic and Social Council had taken an important step in initiating a dialogue between the governing bodies of the organizations of the United Nations system in the field of operational activities for development.

26. At the previous session of the General Assembly many heads of State had observed that the United Nations had many achievements to its credit and had risen to challenges and crises in the world. The most recent was the special session on the critical economic situation in Africa. Yet, that positive record did not conceal the flaws and limitations of the Organization. He was confident that a more effective intergovernmental machinery and tighter and less costly Secretariat would emerge, but the change would remain cosmetic unless there was a determination on the part of Member States to use the Organization to its fullest potential.

27. Mr. REED (United States of America) said that the general debate was traditionally a time for countries to express their current views of the world economy. Referring to recent sessions of the Economic and Social Council the Second Committee, the Trade and Development Board, the International Monetary Fund and the World Bank, at all of which the world economy had been discussed at length, he asked whether the world had changed very much in economic terms in recent months or weeks or as a result of the World Bank and IMF meetings in Washington the previous week.

(Mr. Reed, United States)

28. His own reply was in the negative; during the same period thousands had suffered and died from starvation and disease and millions more had lived without the benefit of basic human rights. In keeping with the spirit of the Group of 18 and the need to rationalize the work of the Committee, he would dispense with the traditional general debate statement.

29. The United Nations was at a historic turning point; what was accomplished at the current session could well chart the course up to the end of the decade and beyond. In his last address to the General Assembly, President Reagan said that the current crisis of the United Nations was above all "a crisis of credibility". Nowhere was that crisis more evident than in the work of the Second Committee.

30. During the fortyeth session, the Committee had held 56 meetings and had produced over 110 resolutions and decisions. In the United Nations regular budget for the biennium 1986-1987, over \$500 million had been allocated to support the work of the Secretariat on economic and humanitarian issues. Two thirds of the regular budget expenditures on substantive matters were absorbed by bodies responsible to the Economic and Social Council. The question as to whether all that effort had actually contributed to "promoting social progress and better standards of life in larger freedom" had to be answered in the negative.

31. While the delegations participating in the deliberations of the Economic and Social Council had been turning out resolutions, children had been going without food, water and medical care. Accusations had been exchanged while desperate people the world over had been becoming more resigned to their plight. The hard and alarming truth was that the end-product of the Second Committee was not development but paper. In a nutshell, the pile of documents had contributed almost nothing to economic development.

32. He calculated that the cost of the documentation produced amounted to several millions of dollars, an amount which could have supported over 80,000 children for an entire year.

33. That did not mean that the United States wished to denigrate the United Nations or its lofty goals. The United Nations had eased the suffering of millions of unfortunate people. Under its sponsorship, many specialized institutions had been created which had contributed to the promotion of the economic advancement of all peoples. One need only mention in that connection the miracles performed by UNLP, UNICEF, the United Nations High Commissioner for Refugees, WFP and WHO. But those institutions could stand on their own, without the need for any contribution from the Second Committee or the General Assembly, which frequently hindered their work and consumed their scarce resources by requesting innumerable reports. The Second Committee had lost sight of its own goals and mandate under the Charter, and must change its ways. His delegation pledged to refrain from polemics, which ought perhaps to be aired in other forums; however, it would not hesitate to defend United States policies if they were the subject of direct criticism.

(Mr. Reed, United States)

34. The success of the special session of the General Assembly on the critical economic situation in Africa showed how much could be achieved when delegations focused their efforts on a limited and viable goal, while at the same time enhancing the Organization's prestige. The Committee should consider only a few issues which might be useful from an operational standpoint, and he wished to suggest two priority areas: the crisis caused by locusts in Africa and the role of entrepreneurship and the private sector.

35. The alarming locust situation in Africa, coming on the heels of a devastating drought, threatened to bring Africa to its knees just as the first encouraging crops in recent years were being harvested. But the problem was not merely an African problem; it could spread if not dealt with in time. The magnitude of the problem and food needs needed to be identified to ensure that timely and adequate assistance was given.

36. Recognizing that development depended not on the transfer of resources, but on measures to stimulate growth from within, the developing countries were attempting to find ways to encourage the creativity and productivity of their people through privatization, investment incentives, capital-for-debt swaps and incentives for greater initiative within the public sector, with greater rewards than had been anticipated. The United Nations should support countries that sought to encourage domestic entrepreneurs and the development of a dynamic private sector.

37. Countries that put their faith in their own people's ability invariably performed better and provided their citizens with higher standards of living in greater freedom. A dynamic private sector had turned some countries into meccas of economic activity that promoted the creation of employment and improved living conditions for all.

38. He strongly believed that the Organization's prestige would be re-established if all delegations rededicated themselves to the goals of the Charter, seeing in development not a political game, but an opportunity to leave a worthy legacy to future generations.

39. Mr. GOLOB (Yugoslavia), speaking on behalf of the Group of 77, referred to recent important meetings that had been held for the purpose of considering international economic issues and reaching agreed conclusions. In that way, the developing countries had prepared themselves for their discussions with the developed countries during the current session of the General Assembly.

40. The problems of the world economy, particularly those which affected the developed countries, were extraordinarily complex and could not be solved easily or quickly; the Group of 77 would continue to insist, as it had done on many occasions, that there should be no respite in the search for solutions.

41. By the end of 1986, the external debt of developing countries would total almost \$1 billion, nearly twice the amount of their total exports of goods and services. Gross interest payments would amount to \$65 billion. More than

(Mr. Golob, Yugoslavia)

\$400 billion of debt would fall due during the next five years. The debt/export ratio of capital-importing developing countries had increased from 174 per cent in 1982 to 210 per cent in 1986. The growth rate of the world economy had slowed from 4.2 per cent in 1984 to 2.9 per cent in 1985. Real non-oil commodity prices as a whole had fallen to the lowest level since the Depression. The export volume of developing countries was stagnant, and those countries remained largely excluded from private capital markets. At the same time, the net transfer of resources of the capital-importing developing countries, which had become negative after 1983, was estimated to have exceeded \$30 billion in 1985.

42. The Secretary-General rightfully stated in his report on the external debt crisis and development that those occurrences had heightened political concerns. Paradoxically, as the situation worsened from year to year, nothing was done in the General Assembly to stop or reverse those negative trends.

43. During the fortieth anniversary session of the General Assembly, the Group of 77, encouraged by the positive statements made by most of the Heads of State or Government in attendance, had put forward a number of initiatives on the most vital issues, but all had met with the same fate: no agreement had been possible.

44. The Group had hoped that something might have been done at the resumed session of the Second Committee during the first half of 1986, or at the session of the Economic and Social Council. Unfortunately, some developed countries had persisted in their opposition to any substantial action within the framework of the United Nations, preferring to promote their own co-operation, which was understandable, with a view to deciding questions of concern to all countries, which was somewhat less understandable. Such conduct undermined the independence and sovereignty of other countries and overlooked the fact that, in order to overcome the deep structural distortions of the economic situation, all countries must participate fully in the decision-making process.

45. He recalled that the major developed countries had abandoned the multilateral perspective from which, in the past, they had participated in the development consensus contained in the new international economic order, the International Development Strategy and other programmes. Ever since the appearance of the first signs of economic crisis, the Group of 77 had continued to emphasize the need to reactivate the economic growth of developing countries through greater international co-operation. However, those initiatives had been resisted. The bilateralism and unilateralism of the most powerful had shifted the burden of economic adjustment onto the developing countries.

46. The choice of socio-economic system and form of development was a sovereign right of every country, and differences in that regard should not constitute an obstacle to international co-operation, since external economic trends affected everyone equally.

47. If the efforts made by debtor countries to meet their external obligations were to bear fruit, it was essential to, inter alia, bring about a recovery of

(Mr. Golob, Yugoslavia)

commodity prices, reduce interest rates, increase the flow of resources, facilitate access to the markets of developed countries and stabilize exchange rates. That must be accomplished through a political dialogue between the Governments of the developed countries, international financial and banking institutions and the developing countries, in a spirit of shared responsibility.

48. The problems of money, finance, foreign financial flows, trade and development were interrelated and required parallel and simultaneous solutions. However, nothing had been achieved to date; it was therefore in the general interest to initiate preparations for the convening of an international conference on money and finance for development. The Ministers for Foreign Affairs of the countries members of the Group of 77, in a declaration adopted recently, had stressed that the increasingly interdependent character of the world economy and the interrelationship of problems urgently required the exploration of various options for reaching agreement at the political level between developed and developing countries for co-operative action to bring about balanced and equitable world economic growth and development.

49. Recalling the critical economic situation in Africa, he said it was a matter of urgency that the international community should mobilize the necessary funds and take appropriate measures for the total and effective implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990.

50. The seriousness of the least-developed countries' socio-economic situation demanded that the international community should intensify its efforts to bring about their short-term recovery and long-term development. Effective measures with specific deadlines should be taken for the implementation of the Substantial New Programme of Action.

51. Mr. VRAALSEN (Norway), speaking on behalf of Denmark, Finland, Iceland, Norway and Sweden, observed that there had been some changes of attitudes and some progress in areas of fundamental importance for long-term development, namely, environmental protection, population, food production, health, and the integration of women in the development process. The World Conference to Review and Appraise the Achievements of the United Nations Decade for Women, held in 1985, and the International Conference on Population, held in 1984, were good examples in that respect, as were also the decision of GATT to launch a new round of international trade negotiations, and the special session of the General Assembly on the critical economic situation in Africa.

52. Despite that limited progress, the global situation remained gloomy. More than 500 million children and adults were suffering from chronic malnutrition and over 800 million were living in absolute poverty, a crisis that could not be overcome through international laissez-faire. Instead, there was a need to intensify multilateral efforts in order to achieve collective solutions to development problems on the basis of interdependence.

(Mr. Vraalsen, Norway)

53. While the international economic situation showed no prospects for long-term growth and development, there was room for cautious optimism. Inflation had been reduced, exchange rates had been brought closer into line with economic conditions and interest rates had dropped significantly. However, so far as the developing countries were concerned, all of that had been offset by the considerable worsening of the terms of trade, primarily owing to low commodity prices. The economic environment must be improved in order to ensure more stable and sustainable economic growth for the benefit of developing countries in particular. Deflationary trends must be resisted and better policy adjustments and co-ordination in and among the industrialized countries must be achieved in order to revive the process of non-inflationary growth.

54. The most immediate and pressing economic problems should not obscure the need to safeguard the environment for coming generations. He was confident that the report of the World Commission on Environment and Development would prove a useful basis for that purpose.

55. One of the most important current economic and political problems was the indebtedness of many developing countries and the heavy burden it represented. The Nordic countries believed that debt problems must be addressed by means of a coherent long-term growth strategy which built on and supplemented the traditional case-by-case approach. For some of the poorest countries the possibility of debt relief must be considered. Some of the Nordic countries were considering additional official development assistance (ODA) contributions. The debt problems of the developing countries were not just financial problems; they involved issues such as trade and commodities. Consequently, a sectoral approach could not solve the long-term problems. An improvement in the external environment was required to trigger a rise in investment, income and hence savings, together with greater domestic efforts.

56. The Nordic countries were aware that net inflows to developing countries were of vital importance and therefore supported the strategy for growth and development within the framework of IMF and the World Bank, a strategy which clearly recognized the need for increased lending for economic growth in the heavily indebted countries. They also welcomed the progress made through the agreement with Mexico, and the quick response of the World Bank to the needs of indebted countries. However, the World Bank needed adequate resources in order to support the borrowing countries effectively.

57. It was in the interest of the commercial banks to alleviate the debt problems of the developing countries. Their share of net financial flows had been drastically reduced in recent years. On the other hand, the multilateral financial institutions had increased their share. IMF and the World Bank had important catalytic roles to play with regard to the participation of the commercial banks in their growth strategy.

58. With regard to the reorientation and reform of economic policies in many developing countries, structural adjustment lending was a valuable instrument which

(Mr. Vraalsen, Norway)

corresponded to needs recognized by the borrowing countries themselves. It was of vital importance that adjustment programmes should incorporate long-term development objectives and reconcile objectives of growth and poverty alleviation so as not to increase the hardship of the poorest groups of the population. Many developing countries had bravely started to implement radical adjustment reforms and the industrialized countries should live up to the expectations raised by the Baker initiative and particularly by the Programme of Action for Africa. The concept of mutual responsibility, involving African countries, donor countries and the international financial institutions, was the most important result of the special session of the General Assembly on the critical economic situation in Africa.

59. The outlook for ODA flows in the last half of the 1980s was not favourable. The expected fall in the ODA/GNP ratio meant a backsliding from the targets to which the industrialized countries had committed themselves. The Nordic countries would urge all countries to increase their ODA and to accelerate their efforts to reach the internationally agreed targets of 0.7 per cent and 0.15 per cent of GNP. Despite the pressing need in the least developed countries, which were so dependent on the International Development Association (IDA) for concessional financing, the real value of IDA resources had been reduced. The Nordic countries had agreed to increase their contribution to the eighth replenishment of IDA and urged other countries to contribute towards the goal of providing IDA with a sum in excess of \$12 billion.

60. Projections showed that the World Bank Group would soon be a net recipient of resources whereas it should be a net provider of resources to the developing countries. A capital increase should be finalized as soon as possible so that the World Bank could lend over \$20 billion annually.

61. In the long term, however, increases in production and trade must be the backbone of the development process. For the debtor countries to escape from the debt trap characterized by lower levels of investment, lower output capacity and lower export earnings, and to generate resources for their development, it was necessary to strengthen the international trade régime. The Nordic countries therefore welcomed the consensus decision of the Ministerial Meeting of GATT at Punta del Este to launch a new round of negotiations. Those negotiations should promote further integration of the developing countries in the GATT system. National trade policies, such as improvements of the Generalized System of Preferences (GSP), were also essential in order to improve access for exports from developing countries to the markets of the developed countries.

62. The current low commodity prices would not allow such countries, particularly the least developed among them, to achieve sustained development. Price stabilization agreements should take long-term market trends into account. The Nordic countries welcomed the new cocoa agreement and hoped that the negotiations on natural rubber would be equally successful. It was important to focus attention on long-term structural problems in the commodities sector and to consider the possibility of adopting measures to support diversification. UNCTAD should also pursue its efforts to promote closer co-operation in processing, marketing, distribution and compensatory financing.

(Mr. Vraalsen, Norway)

63. The Nordic countries supported the idea of the Group of 18 that there should be an in-depth study of the organization and working of the economic and social sectors of the United Nations. They noted with satisfaction that the biennial work programme was taking hold and felt that efforts should be continued to improve the effectiveness of the administrative structures in view of the acute financial crisis that faced the Organization.

64. Mr. ALZAMORA (Peru) said that the impasse in the dialogue had hardened positions and had given rise to increasing scepticism concerning the possibility of reaching agreement. Moreover, the absence of a sincere desire by the parties concerned to reach agreement, as the Chairman of the Group of 77 had observed, had led to a situation in which world economic forums were used only for unilateral declarations of positions. Development was an essentially political phenomenon. So long as there was no political will to put an end to the unjust situation which benefited a privileged minority, there was no likelihood that the political forum of the United Nations would be transformed into a scientific research laboratory or a school of business administration. Having lost the vision of interdependence and the dynamic of co-operation, the industrialized countries, concentrating exclusively on their own growth, had become islands of prosperity in a sea of poverty. The level of living of peoples in developing countries was falling, the tide of poverty rising, and the risks of a tidal wave increasing. What was causing the tidal wave of poverty and despair was the problem of debt: the greater the injustice, the greater the debt; the greater the debt, the greater the poverty; the greater the poverty, the greater the desperate search for prosperity, wherever it might be and by whatever means. It was a matter of political and social realities whose seriousness and interrelationship were not always understood by economists and financiers. Hence the importance of the United Nations and, in particular, its Second Committee, which brought all countries together and presented its conclusions to the highest political forum in the world.

65. The need for such a political approach was reflected in the General Assembly's decision to include the question of debt in its agenda. It was just as fallacious to claim that consideration of the debt problem was the preserve of the World Bank and IMF, as it was naïve to propose that consideration of economic questions should be centralized in a single forum in order to avoid alleged duplication. Equally biased, if not self-seeking, was the idea of making the Economic and Social Council the centre for considering international economic problems.

66. The Ministers of the Group of 24 had made some necessary clarifications whenever there were signs of an incipient trend in the consideration of the debt question. The position and action of the developing countries were generating important changes. Ideas which, a year ago, might have seemed utopian dreams were, in the most recent negotiations, leading to innovations which approached and at times coincided with the terms and conditions which the developing countries had, even a year ago, considered to be the essential minimum. GATT, in accepting and confirming, in its resolution of Punta del Este, the connection between trade and debt, also recognized that the debtor countries could only pay what the creditor countries permitted them to export and import on equitable conditions. The problem

(Mr. Alzamora, Peru)

would not be solved by increasing the debt or adding new links to the chain of financial servitude shackling debtors and creditors alike. Debt was the most serious manifestation of the global crisis in North-South relations. Negotiations should deal with the basic problem of restructuring trade and international finance and, in the last resort, with a new form of international social contract between the developed and developing countries.

67. The Ministers of the Group of 24 had recently stated in Washington that the maximum level of debt should be compatible with an acceptable rate of growth and a decent level of living. That would guarantee political and social stability conducive to the sustained development of the debtor countries' effective capacity to pay and, as a result, would ensure the stability of the international financial system. The Economic and Social Council, in a resolution adopted in July, had considered that the crux of the problem was the transfer of resources. There had been a growing recognition that financing needs and performance criteria should continue to be related to fluctuations in oil prices. That principle should be extended to other commodities and external factors which affected foreign-currency earnings or capital outflows.

68. The pressures exerted on the debtor countries by other countries and certain international organizations were eroding the capacity of States to adopt and carry out their own economic policy decisions. That threatened their national sovereignty and independence and their ability to act independently in international relations, as well as the very foundations of the United Nations system. The recent Summit Meeting of Heads of State or Government of the Non-Aligned Countries had reaffirmed the inalienable right of all States to choose freely their economic system, to manage their economies and to take their own decisions for dealing with the crisis and to promote development, including debt-servicing. That consideration had undoubtedly led the General Assembly to include the question of debt in the agenda of its current session, and should also serve to guide the work of the Second Committee.

69. For Peru, which respected the positions of other countries in that regard, putting those ideas into practice had meant reactivating the economy, accelerating growth, increasing production and employment, and protecting wages, the social economy of the State and the national level of living, which would restore to the Peruvian people its dignity, self-confidence and faith in its future.

70. Mr. ZVEZDIN (Union of Soviet Socialist Republics) said that the sessions of the General Assembly provided a unique opportunity for communication and co-operation among States with different social, economic and cultural systems, which was indispensable in an increasingly interdependent world.

71. The Soviet Union and the socialist countries were concentrating their efforts on solving the central problem of saving mankind from the danger of nuclear annihilation and reallocating for peaceful purposes the vast amount of material and intellectual resources which were being wasted on the arms race. For that reason, they had submitted to the General Assembly at its current session a proposal on a

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general system for guaranteeing international peace and security, covering the military, political, economic and humanitarian aspects. The clear trend towards internationalization of economic relations called for promoting the concept of international economic security. In connection with that concept, which would help to further international, regional and subregional co-operation, the new trade and economic agreements which the countries members of the Conference on Security and Co-operation in Europe were going to negotiate at Vienna within the framework of the Helsinki process, and the progress which might be achieved in talks between CMEA and EEC, took on special importance. In its search for new forms of economic co-operation with the Asian and Pacific region, the Soviet Union would avail itself of the facilities of ESCAP and other bodies of the United Nations system.

72. Normalization of international economic relations, an integral component of international economic security, implied that an end should be put to discriminatory policies and economic blockades and sanctions, except in cases where the international community itself recommended them. Imperialists circles were continuing to apply those policies against the Soviet Union, other socialist countries and many developing countries, as was evident from the recent United States economic sanctions against Zimbabwe. For that reason, the Soviet Union associated itself with the Declaration of the Ministers for Foreign Affairs of the Group of 77, which noted the growth and diversification of those types of measures, and demanded that such policies should be ended. The Soviet Union had opposed and would continue to oppose the policy of economic coercion and advocated the normalization of international economic relations. The need for stability and predictability in world economic affairs was now universally recognized. That was reflected in the agenda of the seventh session of UNCTAD, which was to be an important stage in the development of mutually advantageous international co-operation. In his recent speech before the General Assembly, President Reagan had pointed out that the United States was working with other countries to minimize currency swings, to promote stability in the monetary market and to establish predictability as a basis for prosperity. The Soviet Union shared that goal and proposed that all countries should participate in the efforts to achieve it, and that a similar approach should be taken to other sectors of international economic relations.

73. Where there was a common interest and political will, it was possible to conclude agreements on complicated questions rapidly. One such example was the signing at Vienna of the conventions on the safe development of nuclear energy. There was a growing conviction that the behaviour of the world economy should be predictable. The development models and forecasts prepared in various countries were far from perfect. Although it was practically impossible to be totally accurate, it was possible to improve the quality and degree of accuracy. The United Nations had excellent opportunities to do that and could analyse and summarize world economic development forecasts and indicate the potential effects of trends registered in the various countries.

74. The relation between disarmament and development was perhaps one of the most obvious examples of growing interdependence in the modern world. At the recent

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Summit Conference, held at Harare, the Heads of State or Government of the Non-Aligned Countries had reiterated the need for an immediate halt to the arms race and the adoption of urgent disarmament measures in order to free human, financial, material and technological resources which were so necessary for development. The initiatives of the Soviet Union and the socialist community provided a realistic means for channelling resources allocated for military purposes towards peaceful needs, including the solution of the development problem. The economic potential which could result from the reduction of military expenditure was enormous. According to calculations made by Soviet scientists, implementation of the proposals contained in the statement made by Mr. Gorbachev on 15 January 1986 would result in savings of approximately \$1 billion before the year 2000 in the United States alone and \$300 billion in Western Europe. Implementation of the proposal submitted by the socialist countries at Budapest in July 1986 to reduce the troops of the NATO States and of the members of the Warsaw Treaty by more than half a million on each side, would also produce direct economic results, especially if one considered that it cost \$20,000 to maintain just one soldier. The developing countries would also benefit enormously from the termination of the arms race in which they had become involved through imperialism. The Hamburg Institute for Peace Research calculated that developing countries' arms imports represented approximately 25 per cent of their external debt.

75. One of the key components of the concept of international economic security proposed by the Soviet Union was the formulation of principles for governing the use of part of the resources released as a result of the reduction of military budgets. The Soviet Union was prepared to initiate negotiations on those principles, including those pertaining to an appropriate mechanism, and proposed that, after the conclusion of an agreement on real reductions in military expenditure, an international fund should be established for assisting the developing countries, including the transfer to that fund of part of the resources saved by the countries members of the opposed military alliances and by other industrialized countries. If the developed countries showed the political will, the financial possibilities of a such a fund would be considerable. The Soviet Union wished assurances that all disarmament agreements, both bilateral and multilateral, would be followed up by reports of the signatories on the volume of resources released and the amount of such resources that would be allocated for assistance to developing countries.

76. The decision of the United Nations to convene an international conference on disarmament and development in Paris in 1986 provided an excellent opportunity to reach agreements on the use of resources released from the arms race for peaceful purposes. But the United States and other Western countries thwarted the implementation of that decision. His country advocated the prompt convocation of the conference on disarmament and development and would actively contribute to its success. Naturally, each country had its own views on how to satisfy its economic interests, but all States, whether developed or developing, capitalist or socialist, felt the effects of external risk factors. Efforts to establish a secure and foreseeable international situation should be aimed at identifying those

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factors in order to establish a collective approach and, subsequently, to agree on joint measures within the framework of existing international mechanisms to neutralize their negative effects. In the opinion of his delegation, that approach should also form the basis of the comprehensive report of the United Nations Secretary-General on a concept of international economic security, which would be submitted to the General Assembly at its forty-second session, pursuant to its resolution 40/173. Draft resolution E/1986/L.37, sponsored by the USSR and the Syrian Arab Republic at the summer session of the Economic and Social Council, proposed that, when preparing the report, the Secretary-General should focus on identifying the points of existing or potential convergence in the approaches of various countries towards the solution of problems in the world economy. The Soviet Union hoped that that draft resolution would receive the Committee's support. An integrated approach was needed to resolve international economic problems in the interests of all States. Experience in the past year had confirmed that a selective and partial approach to world economic problems did not produce substantive results.

77. United Nations, IMF and IBRD statistics demonstrated that the world economy was still characterized by crises and serious imbalances. The decline in the growth rates of many industrialized countries, including the United States, had been sharper than expected. There had been no progress in efforts to reduce unemployment, world trade was developing slowly, protectionist trends were increasing and raw materials prices were falling rapidly. Nor should anyone be fool ' about inflation: although it had been "curbed" as far as prices were concerned, it had reappeared in other forms: high interest rates, budget deficits, chronic instability in the balance of payments and currency fluctuations. A thorough study of those signs of inflation, caused to a large extent by monopolistic prices and military expenditures, would be a beneficial exercise for the Secretariat and would also be helpful in finding solutions to international economic problems. All States must also work together to solve the urgent problem of stabilizing prices of raw materials, including energy.

78. World economic instability, self-interest and wilfulness in international economic relations were felt mainly by the developing countries. In most of the , stagnation was continuing as was the drop in the real per capita GNP, whereas the social and economic situation of workers, especially in Africa, was worsening. The external debt repayment problem had become more acute, according to the most recent IMF estimates. His delegation supported the proposal of the Group of 77 to include an item entitled "The external debt crisis and development" on the agenda of the current session and would constructively participate in its consideration by the Committee.

79. The magnitude of imperialist exploitation of the third world was demonstrated by the steady draining off of financial resources from the developing countries. It was estimated that, between 1980 and 1984, \$US 80 billion had been transferred from the third world to the United States alone. According to the annual report of the Inter-American Development Bank, since the early 1980s, the Latin American countries had lost almost \$100 billion in interest paid on debt-servicing, in

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addition to so-called "unreported capital transfers" estimated to be several times higher. The international community must adopt urgent concrete measures to halt that reverse transfer of resources in accordance with the appeals of the Movement of Non-Aligned Countries and the Group of 77. The United Nations must also help to design such measures on the basis of Economic and Social Council resolution 1986/56. The major obstacle to positive United Nations action in that regard was the negative stance of some well-known capitalist countries whose representatives had once again during the current session, publicly rejected the very concept of a new international economic order.

80. The Soviet Union endorsed the appeal made by the Movement of Non-Aligned Countries concerning the need to revive the development consensus which had emerged in the United Nations in the 1970s by means of global negotiations in which all States would participate and which would respect the legitimate interests of all States. The most influential Western countries, however, were still seeking to solve world economic problems by means of short-term strategies and anti-democratic procedures, which prevented most countries from coming to grips with questions affecting their peoples' well-being and even survival. A recent example of that behaviour was the attitude of some Western countries towards the proposal of the Movement of Non-Aligned Countries and the Group of 77 on the interrelated issues of money, finance, trade, the debt and development. While obstructing that proposal in the United Nations, five of the world's seven richest capitalist countries were trying to impose their own approaches to the question on other countries. Even Western experts admitted that those attempts had neither alleviated the situation in the third world nor improved the situation in countries sponsoring similar "initiatives", as was reflected in the United States trade and budget deficit and the mounting "currency war" among the major capitalist Powers. Interest and exchange rates not only affected the group of the five or seven richest Western countries but also had a direct impact on the situation of the third world countries, which were losing millions of dollars as a result of their economic instability. His country supported the proposal of the non-aligned countries and the Group of 77 to convene an international conference with universal participation to examine all questions relating to the reform of the existing monetary and financial system.

81. Like other countries, the Soviet Union was not indifferent to the problem of regulating international monetary and financial relations, and was therefore interested in becoming a member of GATT and taking part in a new round of multilateral trade negotiations open to all countries like the round held in Tokyo. Paradoxically, it was precisely those Western countries that had recently urged the Soviet Union to become part of the international monetary, financial and trade systems that were obstructing the Soviet Union's overtures towards GATT. The USSR was part of an interdependent world economy in which it played an active role within the framework of the Council for Mutual Economic Assistance (CMEA), at the same time as it expanded its trade and economic ties with the developing and the Western countries. Participation in the international division of labour was becoming increasingly important for the Soviet Union. In order to adjust its current trade structure to the requirements of its national economy, the Central

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Committee of the Communist Party of the Soviet Union (CPSU) and the Council of Ministers of the USSR had adopted a series of resolutions, in accordance with the decisions of the twenty-seventh Congress of CPSU, under which more than 20 Soviet ministries and agencies as well as 70 large associations and companies could, as of 1 January 1987, engage in direct import and export transactions with the outside world. In the future, that right would be extended to other ministries and companies. There were also plans to implement a general programme to promote scientific and technological progress in the CMEA member countries until the year 2000, on the basis of increased productive specialization and co-operation. New kinds of economic relations were to be developed with the developing and the Western countries, including scientific, technological and industrial co-operation as well as the establishment of joint ventures, on the basis of strict respect for the rights of foreign partners and mutual advantage.

82. Lastly, he appealed to all delegations in considering the items on the Committee's agenda to take the fresh approach required by the world's interdependence. Only then would it be possible, by a consolidated joint effort, to engage in a useful dialogue and come up with solutions to the complex problems hindering international economic co-operation and development.

83. The CHAIRMAN reminded the delegations of the need to follow the schedule and comply with the recommended time-limits for statements, so that the Committee's work could proceed smoothly.

The meeting rose at 5.45 p.m.