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SUMMARY RECORD OF THE 3rd MEETING

Chairman:

Mr. BURKE

(Ireland)

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STATEMENT BY THE UNDER-SECRETARY-GENERAL FOR INTERNATIONAL ECONOMIC AND SOCIAL AFFAIRS

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The meeting was called to order at 3.10 p.m.

STATEMENT BY THE UNDER-SECRETARY-GENERAL FOR INTERNATIONAL ECONOMIC AND SOCIAL AFFAIRS

1. MR. AHMED (Under-Secretary-General for International Economic and Social Affairs) said that the drama of change unfolding in the Soviet Union and Eastern Europe had brought about a remarkable transformation in international relations. With the spread of democracy and freedom through all regions of the world, the diminished threat of nuclear conflict and the waning of ideological conflicts and great-Power rivalry, the world was on the threshold of a new era.
2. However, it was now essential to channel the energy unleashed by freedom to serve the cause of development and nation-building. Unrestrained ethnic, linguistic and religious conflicts threatened to undo the gains of freedom in many countries, and it would be perilous to dismiss those conflicts as isolated, sporadic phenomena. Freedom must be complemented by development and social justice if it was to be sustained over the long term. A unique confluence of factors suggested that those goals could now be achieved if all countries pursued them at the national level and the international community supported national efforts in a sincere and determined manner.
3. There was some evidence that the international community was prepared to seize that opportunity. An international consensus was emerging in support of a development style which recognized the need to promote individual initiative, entrepreneurship and investment, provide for the development of human resources, increase access to health and education, encourage active participation by the individual in the development process, eradicate poverty and preserve the environment. There was also agreement on the need for a more stable, equitable and growth-oriented international economic environment to support and sustain national development efforts and for all countries to reduce defence spending.
4. Yet there was insufficient evidence that individual countries and the international community as a whole were prepared to make the necessary policy commitments or to implement those commitments persistently. Despite the general commitment to higher growth, the global economy during the past two years had slowed significantly: the overall growth rate of global GNP had decreased from 3 per cent to 1 per cent in 1990 and world output was expected to fall in 1991, for the first time since the Second World War. Stimulation of the world economy must therefore be the international community's first priority, if the new development style was to succeed and stagnation in Africa and Latin America and the steep recession in the Soviet Union and Eastern Europe were to be overcome. The members of the Organization for Economic Cooperation and Development should abandon their preoccupation with inflation, and all countries should consider significant reductions in defence expenditures; both of these steps would give Governments greater monetary and

(Mr. Ahmed)

fiscal flexibility and enable them to adopt a more expansion-oriented growth policies.

5. Steps must also be taken to make trade a more powerful engine of growth. The Uruguay Round of multilateral trade negotiations must therefore lead to a strong, more open multilateral trading system that provided growing markets, particularly for developing countries and countries in transition. For such countries, unhampered market access was far more critical than increased aid flows. As analysts had often pointed out, the developing countries' losses in export earnings from protectionist measures were greater than total aid flows to them. It was therefore essential to roll back the trend towards protectionism, managed trade and unilateralism. Regional unified markets such as those emerging in Europe and North America must be more open to the outside world.

6. It was also essential to reduce the external debt burden of heavily indebted countries. So far only a few had benefited from the application of the international debt strategy. A solution to the debt problem required not only additional resources, but also more uniform treatment of debtor countries and the expeditious completion of debt-relief negotiations on the basis of accepted principles.

7. A principal factor in the global slow-down in 1991 had been the unexpectedly substantial decrease in output in the Soviet Union and the countries of Eastern Europe, where incomes had fallen by 10 per cent or more as the complexities of the transition to a market economy had become increasingly apparent. Pessimism as to the chances of rapid stabilization and recovery was taking hold in many of those countries, and there was evident disappointment at the extent of international support for the transition. There was also widespread concern that linking international assistance to understandings with international financial institutions regarding stabilization programmes tended to bias assistance programmes towards balance-of-payments adjustment and demand management. Inadequate attention was being paid to major structural changes that should lay the micro-economic foundation for macro-economic stability.

8. Although the world economy as a whole had been able to absorb the immediate shock of higher oil prices and trade disruption engendered by the crisis in the Persian Gulf, the increased oil bill for energy-importing developing countries alone was estimated at \$10 billion. Many countries with close commercial and economic ties to Iraq and Kuwait had experienced heavy financial losses and the Gulf region had suffered incalculable environmental damage. The impact of the crisis had been so substantial and complex that it was akin to a natural disaster of major proportions requiring an immediate and coordinated international response. The United Nations system must play a key role in developing a coherent approach to the entire range of economic, social, humanitarian and environmental issues raised by the crisis.

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9. The developing countries as a whole had achieved unsatisfactory growth during the past year. Output was expected to grow by about 3 per cent in 1991, only marginally above the rate of population growth, resulting in an approximate increase in per capita output of 1 per cent. South and East Asia, despite a slow-down in growth from 6.3 per cent in 1990 to 5 per cent in 1991, remained the fastest-growing region of the world. In West Asia, higher growth in some countries had been offset by sharp declines in others, and the region as a whole had shown little growth in 1991. In Latin America and the Caribbean, output was expected to grow by less than 2 per cent. While some of the major economies of the region were realizing some growth after years of stabilization and adjustment efforts, the overall picture remained one of stagnating output and deteriorating living standards. The expansion of output in Africa was expected to be approximately 3 per cent in 1991, roughly the same as the population growth rate, allowing for no increase in per capita output. The energy-exporting countries of the region had fared better due to the temporary increase in oil prices, but energy-importing countries had experienced a decline in their per capita output. While economic reform efforts continued in many African countries, the results had yet to be translated into a sustained increase in output.

10. There were many causes for the acute and prolonged crisis in Africa, including rapid population growth. Yet there was no reason why human resources could not be the principal source of growth in Africa, as they had in other continents which had experienced similar demographic trends. However, the most devastating factor affecting growth in Africa had been the external shocks of the 1980s. As a result of falling commodity prices, the terms of trade of African countries had declined so seriously during that decade that, by the decade's end, annual resource flows had been approximately \$30 billion less than they would have been had the terms of trade remained the same throughout that period. That figure was twice the amount of all foreign aid received by Africa each year, and efforts to make up the shortfall had been very modest. It was time to renew and fully implement the commitments undertaken in the context of the United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD). The African countries themselves must remain steadfast in their commitment to economic reforms and restructuring.

11. The problems of the least developed countries - the majority of which were in Africa - had become more acute, and there was an urgent need to translate into reality the various international commitments which had been made over the years to ameliorate their structural impediments.

12. To meet the growing capital needs of the developing countries and countries with economies in transition, international efforts should be made to facilitate those countries' access to the world's capital markets on terms appropriate to their development profiles. For their part, those countries must develop their own credit and financial institutions and create a stable legal and institutional environment that encouraged, rather than stifled,

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entrepreneurial and investment activity. In order to promote financial sector development in the developing countries, the Department of International Economic and Social Affairs was implementing an international programme on savings and credit, which brought together savings and credit institutions from developed and developing countries and international development finance institutions for policy-oriented research and development projects. The Department had also launched a programme on entrepreneurship in economic development in response to mandates from the General Assembly. A number of regional symposia on enterprise and financial sector development were planned for Asia, Africa, Eastern Europe and Latin America during 1991-1993.

13. The relationship between environment and development was recognized throughout the world, and it was incumbent upon each member of the international community to consider what it could do to preserve the environment while meeting the legitimate aspirations of its people for development and a better life. The forthcoming United Nations Conference on Environment and Development (UNCED) should be an occasion at which self-examination, genuine understanding of the concerns of others and, above all, patient and diligent efforts might lead to agreements and arrangements for dealing with the entire spectrum of issues relating to environment, resources, technology and development. His Department was actively supporting the preparatory process for the Conference. In that context it had launched a project to study alternative technologies and their long-term growth and environmental implications and was developing an integrated environmental statistics and accounting system.

14. In conclusion, he pledged the full cooperation of the Department of International Economic and Social Affairs in tackling the complex and difficult tasks facing the Committee during the current session.

GENERAL DEBATE

15. Mr. AWOONOR (Ghana), speaking on behalf of the Group of 77, said that the opportunities for improved inter-State relations created by the ending of the ideological division between East and West could only be realized if the States Members of the United Nations discarded their cold-war prejudices and sought to understand one another's concerns.

16. Despite the copious literature that existed on the subject of development and the numerous important conferences that had been held on that topic in recent years, serious development problems persisted, particularly in Africa. The original enthusiasm generated by the adoption of the United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD) had yielded to despondency in the face of the Programme's evident failure.

17. The euphoria resulting from the collapse of socialism had diverted the industrial countries' attention from their shared responsibility with developing countries and from the need to promote balanced growth in the world

(Mr. Awoonor, Ghana)

economy. The developing countries, whose peoples had borne the brunt of injustices perpetrated in the name of ideology, hoped that the world would remember that one of the aims promulgated at Bretton Woods in July 1944 was to ensure that countries remained aware of the repercussions of their actions on others.

18. The developing countries were calling for such bodies as the General Assembly and the Economic and Social Council to address issues that normally fell within the purview of the Bretton Woods institutions because those institutions were not empowered to define the international political context in which they functioned and, furthermore, did not represent the democratic practices which the developing countries were being enjoined to emulate. Moreover, the unfavourable economic conditions in which the developing countries were forced to operate made a review of international political and economic structures imperative.

19. Many developing countries had undertaken structural adjustment measures to facilitate their integration into the world economy. Their development objectives had been rendered attainable by the improved world political climate and technological progress. Their national policies were well in place but would have to be complemented by appropriate international policies, which could only be formulated in a political forum like the General Assembly.

20. The developing countries hoped that the successful and speedy conclusion of the Uruguay Round would strengthen the open multilateral system and counteract protectionist tendencies, for a properly functioning multilateral trading system was the best guarantee of overall balanced economic growth. The United Nations Conference on Trade and Development (UNCTAD) should serve as the focal point for dialogue between developed and developing countries on questions of trade and development. Consequently, UNCTAD must be included in the reform and revitalization of the United Nations system in the economic and social fields.

21. At its eighth session, UNCTAD would be meeting for the first time in the post-war period in an atmosphere of eased political tensions and renewed hope for international cooperation. UNCTAD must assess the current international economic situation and trends, identify specific problems facing many developing countries and identify priority measures to address those problems. The outcome of that session would boost the efforts of the developing countries to tackle the economic challenges facing them.

22. It should be stressed, however, that all the efforts made in various international forums to tackle the problems of development were more likely to prove effective if conducted within the framework of international policies which recognized the interdependence of all countries, developed and developing alike.

(Mr. Awoonor, Ghana)

23. The Group of 77 had on various occasions underscored its needs and its desire to be integrated in international efforts to deal with a broad range of issues of relevance to the Second Committee and the Group would continue to raise its voice in defence of its just demands. The tentative efforts which poor countries were making to establish democracy had come under siege, largely because those countries did not receive adequate returns for their exports, were denied access to technology on intelligent concessionary terms, were overburdened by crippling debt or were virtual charity cases as they coped with the crushing impact of grim social problems. It was not enough merely to institutionalize multi-party pluralism and proclaim a free-market system. Those who advocated stringent adherence to the ideological prescriptions of Western capitalist democracy must not remain deaf to the developing countries' call for a just global economic order.

24. Mr. PRONK (Netherlands), speaking on behalf of the European Community and its member States, said that the large-scale human suffering and massive environmental damage caused by the Gulf war had had a serious impact on economies all over the world. In addition, internal conflicts and natural disasters had resulted in massive population flows in many regions.

25. At the same time, encouraging political developments in Central and Eastern Europe and in Africa, combined with increased global cooperation in development, had led to a wider acceptance of the common responsibility borne by all countries to work together to find durable solutions. That responsibility extended to the socio-economic field, as social and economic cooperation was essential to a secure and harmonious world.

26. The problem of external debt continued to impede long-term development prospects. Proposals on measures for further debt alleviation had been submitted by members of the European Community and discussed in the Paris Club. At their recent London summit meeting the seven major industrialized countries had agreed on the need for additional debt-relief measures, far exceeding the relief granted under the Toronto terms, for the most heavily indebted countries and had called on the Paris Club to take prompt action. Such substantial measures could genuinely enhance the economic prospects of the poorest countries.

27. Commodities remained the main source of export earnings for many developing countries; accordingly, the European Community had reformed its compensatory mechanisms, Stabex and Sysim, in order to boost efforts by developing countries to diversify their commodity exports and increase their earnings. The Community also sought to revitalize and upgrade existing commodity agreements, harmonizing them with market trends, and to make its common agricultural policy more compatible with liberalized markets for agricultural products.

28. The successful conclusion of the Uruguay Round by the end of 1991 would improve the developing countries' economic prospects and would result in a

(Mr. Pronk, Netherlands)

reinforced multilateral trading system. With regard to the concept of an international trade organization, the European Community looked forward to the Secretary-General's report on the subject but believed that it was important to build on past achievements, notably the General Agreement on Tariffs and Trade (GATT), which had formed the cornerstone of the European Community's trade liberalization efforts over the years.

29. Sound domestic policies were also essential to the concept of common responsibility, and an encouraging consensus was emerging in the world on the political systems and policies necessary to achieve sustainable development. There was also growing recognition of the need for full respect for human rights and fundamental freedoms, for democratic, pluralistic and responsive government which encouraged the broad participation of men and women in the development process and created an economic environment conducive to private initiative, for accountability, transparency and acceptance of the rule of law and for maintaining security without excessive military expenditure.

30. Sustainable development could only be achieved through policies and institutions built on local and national traditions and cultures. A proper balance should be struck between the public and private sectors, with Governments withdrawing from highly productive areas in order to improve the functioning of others, such as health, education and human development. Policies should respect individual rights while creating room for sustainable development; they should make effective use of available national and international resources and thereby elicit a greater commitment from donor countries to development cooperation. In the absence of such good government, developing countries could hope only for the sort of humanitarian relief offered by international and non-governmental organizations.

31. The European Community reaffirmed its commitment to assisting countries in the process of economic adjustment and political change and pledged increased support for institution- and capacity-building and for new initiatives that would enhance sound economic policies aimed at sustainable development. The Community and its individual member States would bear their share of that common responsibility by increasing financial flows to developing countries and working to attain the agreed United Nations targets for official development assistance, particularly to the least developed countries. The urgent requirements for capital investment in and assistance to Central and Eastern Europe would not undermine that effort.

32. The concept of common responsibility was especially relevant in dealing with large-scale emergency situations. The protection and physical well-being of displaced persons and the root causes of massive population flows, as well as their effects on the countries of origin and the recipient countries, were matters of particular concern. More attention should be paid at both the national and the international levels to the prevention of natural disasters. All countries shared responsibility for ensuring that emergency assistance was channelled promptly and efficiently, and recipient countries had a responsibility to facilitate humanitarian relief efforts.

(Mr. Pronk, Netherlands)

33. It was therefore vital to improve the emergency response capacity of the United Nations, which was best placed to play a pivotal role in any humanitarian emergency situation. At the second regular session of the Economic and Social Council in 1991, the European Council had formulated some suggestions for strengthening the Organization's emergency response capacity. Since that time, the European Community had further elaborated those ideas in a paper that was being circulated among delegations in an effort to begin informal discussions on the matter.

34. The world economy was rapidly outgrowing its ecological base, and environmental issues could not be neglected in economic decision-making. Sustainable development should deal simultaneously with economic development, ecological sustainability and access to natural resources. It was common knowledge that both poverty and affluence could lead to environmental deterioration. On the one hand, the rich consumed a disproportionate share of the world's resources and discharged their waste in quantities that exceeded the ecosystem's absorptive capacity. On the other hand, the poor in a number of developing countries overexploited their resource base just to stay alive.

35. The European Community was fully committed to the achievement of a concrete and action-oriented outcome of the United Nations Conference on Environment and Development (UNCED). Specifically, the Conference should result in: the signing of conventions on biological diversity and climate change and of a global consensus on forests that could serve as a basis for a convention on forests; the adoption of Agenda 21, which should be an evolving global programme of action with specific objectives and targets and timetables; the adoption of an Earth Charter, which should contain a number of key principles and general rights and obligations in the field of environment and development; the drafting of recommendations for strengthening and further developing institutional arrangements in the field of environment and development; and decisions on financial resources and technological cooperation to assist developing countries.

36. Further measures must be taken to alleviate the strain imposed on the planet's ecosystem by reducing both the consumption of energy and other resources and the quantity of waste produced. The developing countries in particular needed additional financial resources to strengthen their capacity to deal with global environmental challenges. The recently established Global Environmental Facility could play a central role in that respect. New and innovative ways of financing from both public and private sources had to be found at both the national and international levels.

37. Apart from financial flows, improved technological cooperation, provided through market mechanisms and on concessional and preferential terms, would be necessary. Access to information and capacity-building, including training, were key factors in the dissemination of environmentally sound technology, in which the private sector in the industrial countries could play an important role.

(Mr. Pronk, Netherlands)

38. Institutional machinery in the field of environment and development should be strengthened, and consideration should be given to the establishment of a regular high-level meeting or other mechanism, preferably at the ministerial level, to provide general policy guidance for implementation of the proposals for action resulting from UNCED and to consider possible gaps. It was important that any solution should help to integrate environment and development more effectively and should be related to the evolving Global Environmental Facility.

39. With regard to the improvement of inter-agency coordination, the European Community supported new arrangements that would strengthen the authority of the Secretary-General. During the third session of the Preparatory Committee for the United Nations Conference on Environment and Development, various delegations had proposed the establishment of an environment and development board at the highest level; that idea merited further consideration.

40. The Gulf crisis had shown that the supply and price of oil remained vulnerable to political shocks, and the financial and economic effects on certain countries, particularly the developing countries, had been great. The crisis had underscored the importance of continued efforts by Governments to reduce their vulnerability to disruptions in oil supply. Energy security could be further enhanced by a range of measures and policies that included the improvement and timely testing of emergency response mechanisms; the maintenance of diversified energy supplies, both in terms of fuel and sources; the exploitation of all economically and environmentally appropriate opportunities to promote energy production worldwide; the promotion of energy efficiency and conservation and the use of renewable sources of energy; and support for research and development, the introduction of new technologies and the further development of competitive markets and liberalized trade.

41. Since the crisis had led to improved relations between producers and consumers, contacts among all market participants might be further developed to promote communication, transparency and the efficient working of market forces. The European Community noted with satisfaction that the preparation of a European energy charter was well under way. The International Energy Agency was also considering ways of improving contacts with consumers and producers.

42. At its resumed forty-fifth session, the General Assembly had taken a first step in restructuring the Organization's social and economic sectors. However, much more must be done to enable United Nations to provide opportunities for addressing new social and economic issues of interest to the international community and for in-depth discussions of cross-sectoral development issues. The existing mandates of the bodies and specialized agencies of the United Nations system must be streamlined, with particular attention given to eliminating overlaps, and the subsidiary structures of both the Economic and Social Council and the General Assembly should be rationalized. The roles of various agencies which dealt with technology

(Mr. Pronk, Netherlands)

transfers, foreign investment and trade must be more clearly defined and consideration should be given to the expertization of certain subsidiary bodies.

43. Coordination between the United Nations and the specialized agencies must be improved, and the role of the Administrative Committee on Coordination (ACC) should be strengthened. Intergovernmental bodies should function more efficiently, and overlaps in the agendas of the Second and Third Committees of the General Assembly should be eliminated, as should overlaps in the work of the Economic and Social Council and the UNCTAD Trade and Development Board. Finally, the operational activities of United Nations funds and specialized agencies might be streamlined and their management and governance improved.

44. Ms. TOMKINSON (Australia) said that recent events had demonstrated the impact that political developments could have on the international economy. In particular, the political changes and the restructuring of the economies in Eastern and Central Europe had provided the international community with opportunities both to assist in the process and to take advantage of the expansion of long-term trade and investment opportunities. However, it was important that such efforts should not take place at the expense of the developing countries' needs.

45. The best way to enhance the prospects for growth and development in the developing countries would be to expand opportunities for international trade opportunities on the basis of fair and equitable trade rules. Accordingly, the success of the Uruguay Round should be given the highest priority on the international economic cooperation agenda. If the Round was allowed to fail, the effects would extend far beyond the confines of the international trading system and the costs would be far greater than the foregone opportunities for market expansion.

46. The importance of trade in the development process was complemented by the role of development assistance. While trade was vital to economic growth, development assistance could help to promote equity and alleviate poverty. Appropriate poverty alleviation programmes not only enhanced the lives of individuals but also made them more powerful consumers, savers and producers, thus contributing to overall economic growth. Poverty alleviation was also the essential starting point for mitigating many pressures on the environment in the rural areas of developing countries.

47. The new awareness of the close interdependence of environment and development would increasingly affect economic policy making in the 1990s and succeeding decades. Developing countries were more vulnerable than others to environmental degradation, faced significant costs in adapting and had the strongest motivation to find ecologically sustainable models of economic development. Environmental issues were thus economic development issues, and the United Nations had a central role to play in enabling the international community to address the related issues of environment and development.

(Ms. Tomkinson, Australia)

48. Her delegation attached great importance to the preparations for the United Nations Conference on Environment and Development and to the success of the Conference itself, as well as to negotiations on the drafting of conventions dealing with climate change and biological diversity. Australia was committed to fostering cooperative, balanced and practical approaches in those negotiations, in particular with respect to such key cross-sectoral issues as funding and the transfer of technology.

49. It was up to individual countries to adopt appropriate domestic policies for economic reform and restructuring. Greater emphasis on strategies to reduce deficits and improve creditworthiness, encouragement of entrepreneurship, the opening of economies to market forces, human resources development and the reduction of non-productive government expenditure were all important means of improving development prospects in the 1990s. The protection of human rights and the promotion of human freedoms were vital for ensuring the requisite conditions for creativity and individual enterprise essential to economic development.

50. While it was widely recognized that the political activities of the United Nations had entered a new period of revitalization and accomplishment, the Organization had never been as effective in the economic and social sectors. Having stagnated, the economic and social policy organs of the United Nations had never exercised the influence and authority that the founders of the United Nations had anticipated. The resumed forty-fifth session of the General Assembly had produced a practical and wide-ranging package of adjustments which, if properly implemented, should make an important contribution to the long process of revitalizing the Organization's economic and social activities. Her delegation looked forward to further progress in that effort and would support measures to improve the effectiveness and efficiency of the Organization's response to emergencies through the improved coordination and strengthening of agency capacities.

The meeting rose at 4.40 p.m.