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SECOND COMMITTEE
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New York

SUMMARY RECORD OF THE 9th MEETING

Chairman: Mr. GAJENTAAN (Netherlands)

later: Mr. OUDOVENKO (Ukrainian Soviet Socialist Republic)

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

GENERAL DEBATE (continued)

1. Mr. AL SASSAL (Kuwait) said that his country had always advocated a policy of co-operation and co-ordination, rather than one of confrontation, as a way of overcoming the crisis that affected both developing and developed countries, because their economies were interrelated. That being so, since growth in the economy of the developing countries would benefit both developing and developed countries, the latter must shoulder their responsibilities, take the interests of the entire international community into account and allow the developing countries to adopt measures to promote development; that would benefit the international economy as a whole.
2. In order to stimulate the economies of the developing countries it was necessary to change the international economic system so as to make it juster and more equitable; to that end it was necessary to halt the decline in commodity prices, improve the real terms of trade, provide access for the agricultural, manufactured or semi-finished products of developing countries on international markets, remove all trade barriers and protectionist measures and thus enable those countries to meet their obligations. Such a change would stabilize the real terms of trade and end the net flows of resources from the underdeveloped countries to the industrialized countries.
3. The special session of the General Assembly on Africa and the Programme of Action for African Economic Recovery and Development (1986-1990), which constituted a step towards genuine economic take-off for the African countries and towards the solution of their problems, had provided a very useful example of international co-operation. By contrast, the war between Iran and Iraq and the attempts to obstruct international shipping in the Persian Gulf, the security of which was fundamental to a balanced international economy, constituted very serious obstacles to development for the States of the region, the very States which had contributed large amounts to bilateral or multilateral assistance programmes for the developing countries. For example, during the period 1970-1984 the assistance provided by Kuwait, Qatar, Saudi Arabia, the United Arab Emirates, on concessional terms had amounted to more than \$60 billion.
4. Despite the decline in its oil-export earnings, Kuwait had continued, and would continue, to provide assistance commensurate with its available resources so as to support the efforts of the developing countries to overcome the difficulties they were facing and to promote co-operation among them.
5. The only way to establish a just economic order was by strengthening constructive dialogue between North and South.
6. Mr. MESTIRI (Tunisia) said that, at a time when the developed countries had achieved an unprecedented level of financial, scientific and technical resources, the developing countries - although plunged in the most serious crisis they had

(Mr. Mestiri, Tunisia)

ever experienced but determined to assume their rights and duties as members of the international economic system - were enduring immense sacrifices, which were endangering their socio-political equilibrium, in order to undertake far-reaching structural reforms. The direct and indirect effects of those reforms would undoubtedly bring about substantial changes in their economies and also in their very societies. Yet the measures and decisions taken during the past year and, in particular, the previous week in Washington, failed to take into account the universality, diversity and urgency of the problems.

7. Accordingly, it was necessary to ask whether mankind would be capable of seizing that opportunity or whether it would permit hunger, poverty, disease, massive unemployment and destruction of ecosystems - terrible anachronisms at the end of the twentieth century - to continue.

8. In the view of his delegation, now more than ever the United Nations was a unique meeting ground where specific and urgent solutions must be worked out to counteract the immediate and long-term effects of world structural imbalances and, in particular, the development crisis. It might be useful, to that end, to draw up a timetable covering the next two years establishing economic and financial goals. The declaration adopted by the Ministers for Foreign Affairs of the Group of 77 on 1 October 1987, in New York, was an excellent starting point for that purpose, since it clearly delineated the most urgent problems: the dramatic external debt crisis of the developing countries, the critical economic situation of Africa, the adjustment policies, the economic reforms of the developing countries, the problems caused by monetary instability, the distortions of international financial flows or the obstacles to free world trade and the full implementation of the principle of preferential and differential treatment.

9. In order to enhance the effectiveness of the United Nations system, better methods should be worked out for direct, specific and continuing dialogue among the Organization and the "Bretton Woods" agencies, GATT and UNCTAD, so that an annual, system-wide report, containing recommendations concerning economic, monetary, financial and trade matters, could be submitted at the opening of each session of the General Assembly.

10. In view of the fact that a special conference of African Heads of State or Government was scheduled for December 1987 and that a summit meeting of Heads of State of the most heavily indebted Latin American countries was also scheduled for that time, the Committee should draw up a new agreement on the debt crisis, based on resolution 41/202 and on the consensus achieved in July 1987 in the Final Act of the seventh session of UNCTAD, which would provide specific answers for every element of the crisis.

11. The preliminary evaluation carried out by the African Ministers who were members of the OAU Standing Committee was a basic document for that purpose, since it examined Africa's external indebtedness - which amounted to some \$US 200 billion, of which 70 per cent was owed by African countries which were not among the least developed and of which 50 per cent was owed by countries in the northern subregion - within the framework of the debt of the developing countries.

(Mr. Mestiri, Tunisia)

12. His delegation endorsed the proposals submitted on the subject by the delegations of member countries of the Group of 77 and would expound its position during the debate on the item entitled "External debt crisis and development".
13. The Chairman of OAU, Mr. Kaunda, speaking on behalf of Africa, had expressed profound concern at the substantial imbalances which were preventing implementation of the Programme of Action for African Economic Recovery and Development (1986-1990).
14. There was no doubt that the African countries had done more than their share to adhere to the terms of their association with the rest of the international community. Tunisia, for its part, had started to implement a national plan for economic recovery. However, Africa's economic situation continued to deteriorate alarmingly and it required substantial and specific support from all the developed countries and from the international community so as to deal with the external debt problem, on the one hand, and the problem of the intolerable pressures created by national adjustment programmes, on the other.
15. Unless the structural imbalances of the world economy were corrected, in other words, unless energetic steps were taken to harmonize and better co-ordinate the macro-economic policies of the developed countries, to bring about an equitable and symmetrical international adjustment by establishing an effective multilateral surveillance system, to eliminate pressure on world trade and to review the international monetary and financial system, stability, growth and development would continue to be aspired for but would not be achieved.
16. Given the grave dangers facing the world, he hoped that the international community would be able to rouse public awareness of the problems of modern times. Only by resuming the North-South dialogue would it be possible to overcome the economic, financial and social anarchy which characterized modern times.
17. Mr. MOHSIN (Nepal) said that, according to the various studies of the world economic system, the results expected from the Development Decade had not been achieved and, in addition, the prospects for the next Decade were rather bleak. The alarm expressed by national leaders and spokesmen corroborated the conclusions in the documents and echoed the anguish of millions in the developing countries destined to languish in an inhuman marginal existence.
18. Despite the extraordinary breakthroughs of the developed countries in science and technology and the vast resources and potential with which they were blessed, the task of awakening the human conscience had yet to be accomplished. The scrutiny, in various regional and international forums, of the genesis of poverty and the degeneration of the ecosystem that characterized the developing world, as well as of the imbalances that crippled the orderly development of the global economy, had been to no avail. The same was true of most of the policy-formulation exercises, action programmes and planning of strategies for the specific problems that confronted different countries and regions. Quite a few of them, however, were in operation.

(Mr. Mohsin, Nepal)

19. What was lacking was a global approach that transcended parochialism. Without that it was impossible to solve the problems of poverty and underdevelopment, aggravated by falling commodity prices, excessive foreign indebtedness, unfavourable trade terms and low-level external financing by resorting to short-term measures. Medium-term and long-term action plans should be drawn up and put into operation within the context of the new international economic order. In that respect, he welcomed some recent positive developments in the global political climate, underlined most visibly by the improved relations between the super-Powers and the progressive integration of centrally-planned economies into the international economic order.

20. The prime responsibility for alleviating poverty and facilitating development in the developing countries rested squarely upon their respective governments, many of which had already undertaken the structural adjustment of their economies. In Nepal, for the first time in the course of the kingdom's planned development, a time-frame and a set of clearly specified objectives had been established, in a decree of King Birendra, for the eradication of poverty by the end of the century. To that end, a demand management programme had been put into operation with assistance from IMF. The currency had been devalued and tight fiscal and monetary policies introduced, and a structural adjustment programme was also being implemented with the assistance of credit from the International Development Association. All those steps were primarily intended to streamline the public administration system, raise agricultural production, and develop an industrial base with a view to import substitution and the expansion of external trade. Steps had also been taken to improve the quality of human resources, generate more employment opportunities and enhance popular participation in the development process.

21. The structural adjustment undertaken by many developing countries, particularly the least developed, entailed heavy social and political costs. Donor countries and multilateral agencies should respond with substantial assistance. Any other response would have disastrous consequences for the international economic system. In that respect, his delegation fully endorsed the statement of the Ambassador of Guatemala on behalf of the Group of 77.

22. In conclusion, he reiterated the faith of Nepal in the ability of the United Nations to stand up to the challenge. The United Nations alone could generate the desired global response in support of the ongoing structural adjustments that the developing countries were gradually introducing into their economies. To that end, it was imperative that the world body should be strengthened, its agencies further streamlined, and its coffers replenished.

23. Mr. BALE (Congo) recalled that at the previous session of the General Assembly the Committee had started work on questions regarded as vitally important to the world economy and to the developing countries in particular. The debate had centred on international monetary and financial system, the new round of multilateral trade negotiations, and the particular problems of developing countries, confronted as they were by protectionism, external indebtedness, falling

(Mr. Bale, Congo)

commodity prices and a reverse flow of resources to the developed countries. Despite the controversy that had arisen, the Committee had succeeded in adopting by consensus the resolution on external indebtedness, and had had the satisfaction of reaching other similar agreements, such as the consensus on food problems. Another achievement of that session was the climate prevailing in the Special Commission of the Economic and Social Council on the In-depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields.

24. The Second Committee was meeting in circumstances that still reflected anxieties similar to those of the previous year. The international economic situation was steadily deteriorating, with little prospect of long-term growth and development in most of the industrialized countries which, far from providing the impetus expected, were transferring the stagnation of their economies to the developing countries, with the resulting threat of recession unless vigorous steps were taken. Studies of the world economic situation bore out the introductory statement of the Under-Secretary-General for International Economic and Social Affairs.

25. The view of the Group of 77 on the various evils that assailed the world economy was well known. His delegation shared the anxieties expressed by the Chairman of the Group, the representative of Guatemala, and supported the relevant proposals.

26. The economies of the African countries were virtually ruined. The United Nations Programme of Action for African Economic Recovery and Development, 1986-1990, emphasized the urgency of the problem. His country had experience of the situation, having served for 12 months as head of the Organization of African Unity. The General Assembly would be evaluating the Programme of Action at its forty-third session. It was increasingly obvious that implementation of the Programme was not fulfilling the hopes placed in it by many Governments. Nearly all the African countries, which were implementing far-reaching reform programmes at an inevitable social and political cost, were seeing their efforts foundering for lack of sufficient external resources, while indebtedness continued to overwhelm their already fragile economies.

27. Another factor that acted either as a brake or as an accelerator on reform programmes was the external economic environment. Reforms and adjustments must of course be introduced, to the extent of the responsibility assumed by the African States themselves, but it was also necessary to guarantee them an adequate flow of external assistance and, above all, to make a concerted effort to improve the external economic environment, a task incumbent on the international community and on the industrialized countries in particular.

28. Recalling previous analyses of the problem, he said that the current and foreseeable situation in the matter of commodities was unacceptable and that there was no point in providing the developing countries with additional financial resources that were speedily nullified by the deterioration in the terms of trade. In that context, the results of the seventh session of UNCTAD were grounds for

(Mr. Bale, Congo)

congratulation. His delegation endorsed the consensus achieved at Geneva which proclaimed interdependence as a dynamic element of international co-operation, and he expressed the hope that the Second Committee's debates would be inspired by the same ideal.

29. Mr. ARASTOO (Islamic Republic of Iran) said that, in 1986, the economic environment had shown no improvement and, on the other hand, had revealed the absence of any coherent direction of the world economy. The decline in the prices of raw materials and primary commodities, the foreign debt of the developing countries, the upsurge in nominal and real interest rates and foreign-exchange fluctuations, caused by unfair and one-sided decision-making in international economic matters, had obstructed the developing countries in planning their economies and had deprived them of sovereignty over their resources.

30. Many of the developing countries were faced with the heavy burden of foreign debt which itself had a negative effect on their development programmes, turning them into generators of reverse capital flows. Notwithstanding the steps taken so far to alleviate the debt burden, the ratio of external debt to developing-country exports had risen from 148 per cent in 1985 to 169 per cent in 1986. The report prepared by UNCTAD in 1987 stated that the debt strategy pursued since 1982 had not succeeded in reviving lending from the capital markets or in correcting the problem of over-indebtedness.

31. At the present juncture, the developing countries were caught between two crises which had to be dealt with simultaneously: foreign debt and the lack of growth. An economy suffering from a slump in the prices of its exports, runaway inflation, generalized trade restrictions, fluctuating exchange rates, unrealistic interest rates and a steady drain on capital had no way of achieving growth. Many of the debtor nations had tried to remedy the situation by devaluing their currency, raising their interest rates, removing subsidies and cutting or reducing social expenditure, but none of those measures had led to the desired results. Adjustment could bring about economic growth when it took the form of increased capacity and economic efficiency, but that required adequate financial resources, the maintenance and/or expansion of markets for exports and reasonable interest and exchange rates.

32. The burden of external debt was shouldered directly by the poorest groups in society, because debt payments left Governments with fewer resources for the essential needs of those groups in terms of nutrition, employment, housing, clothing and health care. In a number of African, Asian and Middle East countries government expenditure on social services had fallen below 1 per cent of their GNP, as compared with a rate fluctuating between 10 and 25 per cent in the developed countries. More than one billion people were suffering from malnutrition, while 500 million of them were in a state of permanent hunger. At the same time, the annual world figure for direct military expenditure was almost \$1,000 billion, only 1 per cent of which would be sufficient to purchase the necessary agricultural machinery for the less developed regions, thus enabling them to achieve food self-sufficiency. Current official development aid was less than 5 per cent of military expenditure.

(Mr. Arastoo, Islamic Republic of Iran)

33. Although the industrialized countries' trade had increased in 1986, the exports of the developing countries had fallen by 7 per cent, while their imports had stagnated, thus wiping out the \$45 billion trade surplus of 1985. The developing countries' share of world trade had fallen to about 25 per cent, its lowest rate since 1979. Raw material and commodity price indices had continued their decline in 1986 and had reached a level unprecedented in the past 50 years.

34. The drop of 17 per cent in the developing countries' terms of trade in 1986 had undermined their economies, particularly those of the oil exporters which had fallen by 51 per cent. Meanwhile, the industrialized countries had strengthened their terms of trade by 9 per cent, thereby registering a surplus on their current accounts. The raw-material exporting developing countries had suffered a decrease of 3.5 per cent in their GNP. The 35 per cent decline in commodity prices from 1980 to 1986 had been comparable to that of the great depression of the 1930s.

35. In order to improve the international economic situation, the following proposals should be implemented. With regard to the debt problem, instead of setting a predetermined interest rate, that rate should be linked to the rate of return on the investment made with the loans received, so that both creditors and debtors would have a stake in the success of the investment.

36. Co-operation among developing countries should be directed towards implementing collective self-sufficiency programmes within the framework of economic co-operation among developing countries (ECDC) and technical co-operation among developing countries (TCDC). Regional economic and technical co-operation between developing countries should be expanded, on the lines of the Economic Co-operation Organization set up between Iran, Pakistan and Turkey. Economic and technical co-operation with other countries should be based on mutual respect and understanding and on the exclusion of all political considerations.

37. Contrary to what was said in international forums, free market forces alone could not overcome the difficulties besetting the international economic order. Supervision and guidance should be provided wherever necessary. It was therefore essential to go to the roots of the problems and make greater efforts to establish a new international economic order.

38. The policy of building commodity reserves in developed countries should be replaced by a policy for improving the ratio of commodities to the earnings of the exporting countries. Part of the profits reaped by the developed countries thanks to low-commodity prices should be earmarked for the development of the less developed countries.

39. The United Nations and its specialized agencies should direct their attention to carrying out more practical programmes for facilitating the economic advancement of the developing countries, especially the least developed, instead of wasting financial resources on repetitious debates.

(Mr. Arastoo, Islamic Republic of Iran)

40. The developed countries' protectionist barriers against the exports of the developing countries must be speedily dismantled, a matter of great importance that should be pursued by the Group of 77.

41. The Islamic Republic of Iran, as a member of the Group of 77, believed that the Common Fund for Commodities should become operational as soon as possible, in accordance with the decisions of the Final Act of the seventh session of UNCTAD. It hoped that the Second Committee would be able to conclude its work with the adoption of effective measures for alleviating the serious problems of the international economy.

42. Mr. AL-KINDI (United Arab Emirates) said that his delegation, like others, was alarmed by the deterioration of the international economy in the current decade, particularly since nothing encouraging had happened since the previous session of the General Assembly.

43. The fluctuations in commodity prices and in the value of the United States dollar, the deterioration in the terms of trade and other results of the imbalance in the international economic system had dashed many hopes and had also compelled the oil-exporting countries to reduce their aid to other developing countries. The protectionist policies of the developed countries had aggravated the crisis, as could be seen in one of the results of those policies, namely, the sharp fall in the developing countries' earnings.

44. His delegation therefore considered that the existing international economic system was incapable of ensuring balanced and equitable development. The solution to many of the problems in the crisis depended to a large extent on the capacity to guarantee steady growth, which would not be possible unless the North-South dialogue was resumed with the participation of all States. In an interdependent world, the economic stagnation of the developing countries had adverse effects on the economies of the developed countries which should use every effort to help the developing countries to overcome their problems; It was therefore essential for all States to continue their efforts to reorganize international economic relations on the basis of equality. He regretted the increasing tendency of the industrialized countries to make solutions favouring development subject to a formal consensus, because that showed that those countries wanted to dispense with international co-operation or regarded it as a device for protecting their own interests.

45. As the Chairman of the Group of 77 had said, if international co-operation had not prospered, it was not for want of co-operation on the part of the developing countries. The United Arab Emirates reaffirmed its support of the latest declarations adopted by the Ministers for Foreign Affairs of the Group of 77 and the Movement of Non-Aligned Countries and welcomed the progress made at the seventh session of UNCTAD and the strengthening of that body. He hoped that the progress would result in practical measures and long-term commitments.

(Mr. Al-Kindi, United Arab Emirates)

46. The function of the United Nations system to promote international economic co-operation for the benefit of all nations must be strengthened. All States must help to overcome the crisis and that could best be done through the United Nations system.

47. One of the most complex problems facing the developing countries was that of external indebtedness, which not only hindered development but also posed a threat to the entire world economy. Balanced and equitable development would not be possible unless the debt problem was solved. Nor would it be achieved unless the industrialized countries opened their markets to the developing countries' exports and ended their protectionist policies; helped stabilize commodity prices; implemented General Assembly resolution 41/202; and renewed their decision to achieve the target of transferring 1.5 per cent of GNP to the developing countries in the form of development assistance.

48. The international community was fully aware of the vulnerability of States to fluctuating commodity prices. In recent years, the incomes of oil-exporting countries had declined sharply. Nevertheless, the United Arab Emirates had provided assistance to more than 50 countries without attaching any political strings to it. Moreover, the Abu Dhabi Development Fund, which provided concessional assistance to developing countries, had diversified its activities for development.

49. Lastly, in order to solve the world's economic problems all States must make fundamental changes in their domestic policies.

50. Mr. Oudovenko (Ukrainian Soviet Socialist Republic) took the Chair.

51. Mr. XUTO (Thailand) said that the Second Committee faced a complex and difficult task. In an increasingly interdependent world, continuing serious international economic problems affected developed and developing countries alike. He therefore urged all States to address those issues together in a constructive spirit.

52. In the view of his delegation, there was reason to view the immediate future with relative optimism: progress had been made at the seventh session of UNCTAD; more and more countries were seeking to revive the North-South dialogue; developed countries now appeared to recognize that their affluence could not last long if two thirds of humankind remained in abject poverty; and, thanks to co-operation between developed and developing countries, certain new initiatives had recently been launched, especially in international trade.

53. The latest round of multilateral trade negotiations had aroused fresh hopes that the liberalization of international trade was still possible. As conceived, the round represented a valuable device for salvaging some, if not all, of the wreckage of world trade, which had been battered by incessant onslaughts of protectionism. Protectionism, which mainly targeted the developing countries,

(Mr. Xuto, Thailand)

remained the most pernicious threat to the world trading system. According to an OECD study, protectionist trade measures had more than quadrupled in the past decade.

54. The revival of a free and open multilateral trading system therefore required that developed countries immediately apply their standstill and roll-back commitments regarding trade barriers; honour the principle of special and differential treatment for developing countries; and comply with the Final Act of the seventh session of UNCTAD.

55. Another question of overriding importance was trade in agricultural products. In that connection, his delegation welcomed the report of the Executive Director of the World Food Council on the liberalization of international agricultural trade, as well as the comments made by the Secretary-General at the summer session of the Economic and Social Council. It considered it crucial that the General Assembly follow developments in that area closely.

56. At the fortieth session of the General Assembly, his delegation had called for urgent action to solve the critical problems affecting international commodity trade through the full implementation of the measures incorporated in the Integrated Programme for Commodities which had been elaborated on following the fourth session of UNCTAD in 1976.

57. While it was true that prices for a number of commodities and industrial raw materials had picked up in recent months, it was likely that the trend was simply part of one of the cycles which characterized commodity price movements. It was that inherent volatility which made it all the more imperative to conclude international agreements designed to stabilize commodity prices at levels which were fair to consumers and remunerative to producers. Thailand would ratify the agreement establishing the Common Fund for Commodities in the near future.

58. Problems in the area of money and finance continued to undermine the development efforts of a large number of developing countries. General Assembly resolution 41/202 provided a practical framework for encouraging a dialogue between debtor and creditor countries and for recommending a global, development-oriented solution.

59. Thailand had done its best to implement a consistent programme of national development which not only emphasized stable growth but also ensured that the fruits were shared evenly among the population. Such efforts, based on national self-help, were threatened by the selfish demands of certain developed countries, however.

60. His delegation hoped that, under the auspices of the United Nations, it would be possible to revive the North-South dialogue with a view to taking concerted international action to address the chronic problems plaguing the world, and that the major industrialized countries would establish effective mechanisms for co-ordinating their macro-economic policies which took full account of the

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interests of all developing countries. Otherwise, the development crisis would spread beyond the economic sphere and assume ominous humanitarian dimensions.

61. Mr. MORENO (Cuba) said that, despite encouraging signs on the international political scene, the adverse factors facing third world countries were more serious than ever, bearing in mind that those countries were subject to an obsolete and unjust international economic order while the major developed capitalist countries continued to refuse to embark on a serious and meaningful dialogue to alleviate the situation.

62. Peace and development were indissolubly linked. There could be no development without peace and no lasting peace without development. The situation of peoples on whom adjustment policies which impeded their development were being imposed from outside was explosive. Third world countries saw how prices for the commodities they produced were falling and their access to developed markets was limited by protectionist measures. They witnessed the constant reverse transfer of their financial resources to the industrialized world and were forced to bear the growing burden of external indebtedness and coercive economic measures designed to prevent the establishment of the economic and social system which they had chosen freely. In order to achieve peace, it was essential to find solutions to all the problems facing the third world, which was being forced to bear the consequences of a crisis for which it was not responsible. The Second Committee must devote itself to that task, rather than listen to the proposals of those who, on the pretext that the crisis was over, were attempting to impose the free workings of market forces as an infallible remedy for the ills of the third world.

63. It was essential to find international strategies for dealing with the problem of the external debt which, in the present circumstances, was impossible to repay, as President Fidel Castro had stated at the Ministerial Meeting of the Group of 77. It was also necessary to solve the problem of protectionism, which was depriving the third world of essential export earnings. Policies must be devised which would make it possible to solve monetary and financial problems without, as in the past, resorting to constant manipulation of the dollar which had forced the rest of the world, developed and developing, to subsidize United States deficits. A solution must be found to the pressures of real interest rates and a way found to revive financial flows to the third world while avoiding the flight of resources to developed countries. Attempts to increase measures of trade and financial, and even environmental, conditionality, which were designed to control the economies of developing countries more strictly, must be opposed.

64. The Second Committee must also analyse the effects of the catastrophic fall in prices for commodities exported by the developing countries and address the deterioration in terms of trade which, in 1986 alone, had caused the third world losses totalling approximately \$100 billion.

65. At the eleventh meeting of Ministers of Foreign Affairs of the Group of 77, general guidelines had been developed for international economic co-operation for development. The Second Committee must work for the establishment of a new, more

(Mr. Moreno, Cuba)

just international economic order, not only for the benefit of the developing countries but also for the sake of the stability of the world economy as a whole and international security itself, since, unless the problems of the third world were solved, there could be neither development nor peace.

66. Mr. DA COSTA (Angola) said that the international community was far from its objective of establishing the new international economic order. Despite the appearance in recent years of faint encouraging signs, which had been short-lived in the developing countries, the international economic situation was still characterized by serious imbalances which were detrimental to international relations and raised doubts about the efforts of developing countries to reactivate their economies.

67. The seriousness of the situation had recently been recognized at the seventh session of UNCTAD, where important issues relating to international trade, commodities and monetary and financial matters had been analysed, and at the meetings of the IMF, the World Bank and other institutions.

68. The soaring level of real rates of interest, the fall in commodity prices, the proliferation of protectionist measures which hindered exports of finished and semi-finished goods to the markets of the developed countries, the rising prices of capital goods and technology, the heavy debt burden and the increasingly difficult access to international financial markets contributed to the almost desperate plight of the developing countries.

69. It should be remembered that the world was interdependent and the economic problems of the developing countries resulted primarily from structural disorders in the world economy and affected, in turn, the whole international community. They had reached global dimensions and needed global solutions. The measures adopted by the developing countries to improve their living conditions and fulfil the objectives of the International Development Strategy had failed to produce the desired results because the developing countries had not shown the political will for honouring their commitments. There was also an urgent need to create an international climate more conducive to economic development.

70. One alarming factor was the boom in arms production, which not only consumed resources urgently needed for promoting development but also constituted a threat to the environment.

71. The United Nations should devote special attention to the critical economic situation of Africa. The adoption of the Programme of Action for African Economic Recovery and Development had been an important milestone, although, as President Kenneth Kaunda had pointed out, the reluctance of the international community to assume its responsibilities had so far prevented tangible progress.

72. Angola was doing its utmost to improve the economic environment, but its efforts were being undermined by the repeated acts of aggression perpetrated by the racist South African régime. In examining economic problems the situation in southern Africa should be borne in mind.

73. Mr. BEN MOUSSA (Morocco) said that at a time when mankind was undergoing the greatest changes in its history, the developing world was facing new technological and scientific tests for which it was not prepared. The accumulation, aggravation and globalization of problems, combined with the inconsistencies of the current economic system, were nullifying all its efforts at recovery and adjustment. It was clear that the 1980s had been disastrous for development. The world economy was still foundering in an unprecedented structural crisis. International trade was feeling the heaviest protectionist pressures since the crisis of the thirties. Subsidies on agricultural exports amounted to more than double official development aid. Commodity markets had experienced a slump unequalled in the last 50 years. The international financial system was threatened with bankruptcy under the pressure of the astronomical debt, much of which was irrecoverable. Living standards were falling everywhere and, in 1986, 850 million people were living in developing countries whose production per capita was stagnant. According to the World Bank, in Africa there were 15 some countries which could not avoid bankruptcy by any method.

74. The Committee should therefore emphasize the need to: create an external environment conducive to the growth of the developing countries; call upon the developed countries to adopt policies conducive to lasting growth based on structural and balanced adjustments, to lowering interest rates and to re-establishing stable rates of exchange; curb protectionism and improve the real terms of trade of the developing countries; increase capital flows through the granting of aid on favourable terms to low-income countries; increase the resources of multilateral institutions; create a climate more conducive to greater capital flows and private investment, particularly in export-oriented production sectors; draw up, together with debtor countries, realistic instruments for restructuring debts, such as reducing part of the principal, capitalizing interest or converting debt into shares or fixed-term investments; and give preferential treatment to the less developed and the sub-Saharan countries in order to protect their peoples from famine and to strengthen their fragile economies.

75. Also necessary were effective co-ordination of the economic policies between developed countries and their compatibility with the demands of development through equitable and balanced "multilateral surveillance".

76. Regional integration was no longer a philosophical preference, nor an economic option, but a true political necessity, because it was a factor of co-operation and development, peace and stability. In the case of Morocco, the prime objective was to build the Greater Arab Maghreb.

77. All through the current lost decade for development, there had been orchestrated attempts to undermine the foundations of the consensus for multilateralism. The root causes of that untenable situation were essentially political and arose from the continuing profound disagreement as to the purpose of international co-operation and the role of the United Nations system. His delegation reaffirmed its conviction that, despite its financial crisis - which was actually political - the Organization was the ideal forum for tackling all world problems, as it was the only one offering a universal framework for the

(Mr. Ben Moussa, Morocco)

comprehensive scrutiny of sectoral affairs. Its mission was not so much discreetly to lessen the differences between the various countries of the world as to propose solutions for transcending the dissipation of energies in order to achieve a system of fair co-management and collective responsibility in the world economy.

78. Regarding the current reform of the Organization's economic and social activities, his delegation, while dissociating itself from all attempts to weaken its powers or change its decision-making process, stressed that the United Nations ran the risk of locking itself into a spiral of decadence, with the resultant loss of prestige or even credibility. Shortening the sessions, especially those of the Economic and Social Council, curtailing debates, cutting down on documentation, reducing Secretariat staff and other similar devices serve only to precipitate its loss of prestige. In a word, the restructuring of the Organization would have meaning only if it was prepared to play, in its turn, a role of "multilateral world monitor" of international co-operation.

79. Since the beginning of the decade there had been a profusion of analyses masking the specific historical characteristics of the developing world. It should therefore be remembered that underdevelopment was not only the major economic and social problem of the day, but also one of the most important political problems of all times. It could not be solved by multilateral or sectoral means, nor by charity, but only by far-reaching transformations of economic, social and conceptual structures at the national and international levels. As the economy of the developing countries was both articulated and dominated, the struggle for development necessitated a restructuring of the world economy and the transformation of domination into simple interdependence. Once again, internal democracy and external democracy were inextricably linked, but the developed countries which continued to wage a dogmatic war, at a time when bureaucratic centralism and the market jungle had demonstrated their excesses and limitations, did not recognize that reality.

80. Each people had the sovereign right to adopt the economic system of its choice and the have-nots of the earth needed equity, not dogmas, in international relations. Introducing ideological factors into an essentially pragmatic issue should therefore be avoided, because economic success could not be ascribed to the adoption of a particular model or to the amount of charity bestowed, but to the application of a set of coherent political measures in a favourable environment and through the constructive co-operation of the public and private sectors.

81. More than anything else, the developing countries needed fair rules and an international environment conducive to growth and development, including a comprehensive solution embracing the interrelated areas of currency, finance, external debt, trade, commodities, technology and development.

82. It was important to educate public opinion through an objective presentation of the plight of desperately poor peoples since that had at times been portrayed by the media as the source of all disorder and reprehensible acts.

(Mr. Ben Moussa, Morocco)

83. His delegation would submit to the Committee a draft resolution proclaiming the period 1990-2000 a United Nations decade for the prevention of natural disasters. It would include a proposal that the intervening years should be devoted to drawing up a programme of specific measures to help the developing world. The resolution would be co-sponsored by the Japanese delegation and was expected to have the support of many other countries.

84. With regard to ecological problems, he said that the second half of the twentieth century had witnessed not only a prodigious technological revolution but also the biggest population explosion in the history of the world, a world-wide decolonization movement, growing urbanization, a revolution in ideas and in the concept of human rights and, consequently, to unparalleled aspirations with regard to the quality of life and development. All that had created unprecedented pressure on the natural environment which was threatening to destroy the balance of the world's ecosystem. Such a period of transition called for reforms and the means of coping with the changes occurring so that there could be a system of collective responsibility which would make it possible to accept the challenges of the next millennium in a climate of peace and co-operation.

85. Mr. VALDERRAMA and Ms. VERANO YAP (Philippines), who made successive statements, said that the international economic environment continued to be unfavourable as far as the developing countries were concerned. Reliable authorities had confirmed that the slow growth pattern in the world economy would persist for several more years. In the course of the current year, the climate of uncertainty had intensified, further deterring investment and resulting in continued sluggish growth in the industrialized countries. The expansionary fiscal measures recently announced by Japan had been countered by the lacklustre behaviour of most of the Western European economies, at a time when the massive United States trade deficit continued to be a major unsettling factor in the world economy and in the international financial market.

86. The seventh session of UNCTAD had confirmed the fact that the developed countries were resorting to trade barriers, particularly in their dealings with the developing countries. That situation had been reflected in, among other things, a slow-down in the growth of demand and output, a mounting debt volume, high interest rates, an inadequate flow of financial resources, shifts in exchange rates, and high increasing levels of protection, commodity prices at their lowest level in 50 years, losses in terms of trade and a generally insecure economic environment in which millions of people still lacked the basic conditions for a decent life.

87. In the Philippines, structural reforms were being undertaken on the economic front, such as the privatization of government enterprises, the dismantling of monopolies, the lifting of price controls, import liberalization, agrarian reform and a series of tax and tariff reforms. For the first time in four years, the Philippine economy had registered a modest positive growth and there were prospects of improvement during the current year.

(Mr. Valderrama, Ms. Verano Yap,
Philippines)

88. In the field of international trade, both at the seventh session of UNCTAD and at the meetings of the International Monetary Fund and the World Bank, there had been unanimous agreement on the need to curb protectionism. The Punta del Este Declaration on the Uruguay Round of GATT multilateral trade negotiations called on the developed countries to remove trade barriers.

89. The OECD Ministers, meeting in Paris in May 1987, had concurred in the opinion that excessive support policies caused distortions in the world market and severely damaged the economies of many developing countries. The Ministers of Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand and Uruguay, meeting in Ottawa from 21 to 23 May 1987, had urged that the Uruguay Round of multilateral trade negotiations should advance quickly so that agreement could be reached, by the end of 1988, on an international programme to reform and liberalize international trade in agriculture. The highest priority must be given to agricultural trade issues because the economies of the developing, and of some of the developed, countries were largely dependent on agriculture.

90. With regard to commodities, the seventh session of UNCTAD had dispelled the pessimism of the past five years over the failure to implement the Integrated Programme for Commodities (IPC). The entry into force of the Agreement Establishing the Common Fund for Commodities would do much to help stabilize commodity prices. At that session, it had also been agreed that the operation of existing commodity agreements should be improved and the IMF compensatory financing facility strengthened.

91. The Philippine delegation drew inspiration from the consensus reached on four important points: firstly, that the developed countries should continue their efforts to achieve the internationally agreed target of 0.7 per cent of GNP for total ODA; secondly, that multilateral institutions should support the growth and adjustment processes of debtor developing countries by providing both concessional and non-concessional finance and by stimulating additional flows of private capital; thirdly, that stable exchange rate conditions and a decline in interest rates would help to stimulate economic activity in all countries; and lastly, that official and private debt restructuring arrangements should be tailored to the needs of individual countries.

92. It was encouraging that the International Monetary Fund had emphasized the importance of the fact that the international community was beginning to recognize the social costs of adjustment policies to the debtor countries and the need to pay greater attention to that problem. Consequently, there was a solid basis for reversing current trends on the international economic scene, provided that the States Members of the United Nations, particularly the developed countries, exercised their political will to solve common problems in a spirit of co-operation.

93. Mr. DIECKMANN (Federal Republic of Germany) said that his delegation had paid close attention to the general debate in the Second Committee and had been greatly

(Mr. Dieckmann, Federal Republic
of Germany)

enlightened as to other delegations' views with regard to problems in various parts of the world. An analysis of the information presented would be transmitted to the competent authorities of his country and taken into account when they formulated their own views on the issues in question. The debate would find echoes in the opinions of his Government, as in those of other nations, a fact that reflected the growing convergence of opinion among the various delegations emerging from discussions of a whole range of topics. Such discussions helped to promote understanding and to consolidate the trend towards greater co-operation and more effective action. That was particularly true in the case of the debates on debt and adjustment.

94. Such debates had considerable significance. Member States had to learn from each other since, as one of the representatives had observed, none of them was in possession of the whole truth. The United Nations thus presented a valuable forum for exchange of opinions among all members of the international community.

95. There was still room for improvement, however. He endorsed the suggestion made by the European Economic Community that the Second Committee should try to produce frank summaries of its deliberations, clearly indicating the points not only of convergence, but also of divergence of opinion. That type of summary could sometimes be much more effective than resolutions adopted by consensus, but drafted in obscure terms. His delegations repeated the proposal it had made several years before that the Committee should consider introducing informal discussions in which Member States could exchange their views spontaneously. In any case, his delegation wished to acknowledge once again the value of the Second Committee debates and would continue to take an active part in them.

96. The CHAIRMAN said that the essential feature of the general debate had been its constructive and non-confrontational tone, which clearly indicated the willingness of Member States to co-operate sincerely in the search for solutions which took into account the legitimate interests of all States. That was an encouraging trend, which should serve as the basis for future deliberations and negotiations.

97. The debate had also indicated that the world economy had experienced a further slowdown in 1986 and that it was still characterized by such phenomena as instability in exchange rates, high levels of unemployment in several countries, low commodity prices and modest expansion both in international trade and in the economies of the industrialized countries, which cast a shadow on the future of the world economy. Economic stagnation continued to exist in most developing countries. Thus, promoting development, in particular by establishing a more favourable international economic environment, and adopting new approaches to deal with the external debt problem, still constituted key goals of the international community.

98. The prevailing view was that the debt problem had grown worse in 1986. Although most developing countries had adjusted their economic policies, increased the efficiency of their public and private sectors, adopted more rational

(The Chairman)

exchange-rate policies and eliminated unnecessary subsidies, those adjustment efforts had not improved their balance-of-payment situation since the international community had not provided the necessary support. Capital flows had been insufficient; interest rates had remained high and there was the danger that they would increase again. Despite certain encouraging developments, such as the consensus reached at the seventh session of UNCTAD and the recent IMF/World Bank meetings, the inadequate progress made in that field was disturbing.

99. Many delegations had expressed their concern at the stagnation in international trade, which was due not only to the slowdown in world economy, but also to the appearance of new forms of protectionism. Nevertheless, the beginning of negotiations in the Uruguay Round and the adoption of the Final Act of UNCTAD VII augured well. The same could be said of the progress towards the ratification of the Common Fund for Commodities, which could become operational in a few months and would help to revitalize trade in commodities by stabilizing their prices and thereby assisting developing countries in their diversification efforts.

100. The general debate had demonstrated the growing recognition of non-military threats to security. The possibility of engaging in a dialogue on the elements of a system of international economic security deserved consideration. As confirmed by the recent United Nations Conference, there was a triangular relationship between security, disarmament and development which should be taken into account in the search for ways to promote socio-economic development. The need to strengthen confidence-building measures in international economic relations and make more effective use of multilateral co-operation in the field of science and technology, taking into account new trends in that area, had also been reaffirmed.

101. A number of delegations had drawn attention to the increasing interdependence between the environment and economic and social development and had urged Governments and multilateral institutions to tackle such issues, taking into account the relationships between population, resources, health, the environment and development. Many delegations had welcomed the strategies for achieving sustainable long-term development contained in the Brundtland report and the recommendations of the UNEP report.

102. Nearly all delegations had referred to the critical economic and financial situation in Africa and the need for additional concessionary financial flows to that continent. Although 28 African countries had been carrying out structural adjustments measures and domestic policy reforms in line with the recommendations of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, those efforts were insufficient in the context of an adverse external environment due to the decline in commodity prices. Special measures to alleviate the debt burden of African countries should be adopted. The international community must increase its financial assistance and reach immediately the targets set for official development assistance. A number of delegations had supported the recommendation of the seventh session of UNCTAD that the United Nations should convene in 1990 a conference to review and appraise the implementation of the Substantial New Programme of Action for the 1980s for the least developed countries.

(The Chairman)

103. The need to rationalize the work of the Second Committee and the Economic and Social Council had been frequently mentioned. The progress achieved at the fourth session of the Council's Special Commission on the In-Depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields had been welcomed. It was to be hoped that the spirit of co-operation and pragmatism demonstrated thus far would also characterize future deliberations and negotiations and that the latter would focus on common interests and problems.

104. Mr. CAPRIROLO (Bolivia), speaking in exercise of the right of reply, recalled the historical circumstances which had led to Chile's annexation of 400 kilometres of coastal territory which had been Bolivian. Disputing the statement made by the representative of Chile that, although Bolivia did not have a seacoast, it was not a land-locked country, he said that the right of free transit was not a gracious concession on the part of Chile, but a treaty obligation and that Bolivia paid in dollars for its use of Chilean railway lines and ports. Although the lack of a seacoast was not, of course, the only reason for Bolivia's economic backwardness, it was certainly a heavy burden on its economy.

105. Mr. MAQUIEIRA (Chile), speaking in exercise of the right of reply, said that his delegation did not share the view of Bolivia that the reason for that country's underdevelopment was its land-locked geographic location. That view was not shared either by the United Nations Department of International Economic and Social Affairs, which, in a report on co-operation among developing countries in the field of transport, stated that the "integrated transport system", was the best example of effective co-operation in the field of railroad transport in the region (Latin America), or by the current President of Bolivia, Mr. Victor Paz Estensoro, who, in a letter to a former President of Bolivia, had said some time previously that "the statement that our underdevelopment is due mainly to the lack of an outlet to the sea is tendentious".

106. Mr. CAPRIROLO (Bolivia), speaking in exercise of the right of reply, said that he wished to point out that what he had said in his first statement was that the problem of the land-locked status imposed by Chile constituted a major obstacle - but not the only one - to Bolivia's economic development.

The meeting rose at 6.15 p.m.