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New York

**SUMMARY RECORD OF THE 7th MEETING**

Chairman: Mr. OUDOVENKO (Ukrainian Soviet Socialist Republic)

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**GENERAL DEBATE (continued)**

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

GENERAL DEBATE (continued)

1. Mr. KAPLLANI (Albania) said that the world economy was clearly continuing to deteriorate, as seen in the falling growth rates, the increasing budgetary and trade deficits, the declining investment flow, the increasing debts and the uncontrollable fluctuations in commodity prices and currency rates, to which should be added the greed of international monopoly capital.

2. In examining the international economic situation, there was a constant need to bear in mind its impact on the living conditions of the people, which were getting worse in many countries. Famine continued to be a critical problem in numerous developing countries, especially in Africa, and such phenomena as illiteracy, lack of medical care and malnutrition had become more acute. Even the industrialized countries had not been spared the consequences of the crisis, having experienced growing unemployment, persistent inflation and rising taxes.

3. His delegation considered that the current system of international relations, far from helping to solve economic and social problems, tended to aggravate them and to create political and social tensions which were exploited by the two super-Powers, the United States and the Soviet Union, as a pretext for their policies of expansion and hegemony. The industrialized imperialist Powers, ignoring the legitimate demands of the developing countries, were intensifying their neo-colonialist exploitation and converting international economic co-operation into a new instrument for increasing the dependence of the other countries upon them. The institutions of international monopolistic capital, such as the International Monetary Fund and the World Bank, recommended that the developing countries should adapt their economic policies to the interests of the industrialized countries and place at the disposal of the latter their natural resources and their cheap manpower.

4. Albania fully supported the efforts of those countries which, as Comrade Ramiz Alia, the leader of the Albanian people, had indicated, were fighting to liberate themselves from that grave situation and smash the economic and political chains with which the big Powers were trying to keep them enslaved.

5. The problem of debt continued to become more acute: the debt had already surpassed the figure of \$US 1,000 billion. Many debtor countries were simply unable even to pay the high interest. The granting of loans clearly constituted a neo-colonialist instrument for holding peoples in its clutches and imposing harsh conditions on their economies.

6. International trade, too, also had a direct bearing on countries' possibilities for development. The neo-protectionist practices of the industrialized countries and the manipulation of the prices of basic commodities on the export of which so many developing countries depended, rendered the flow of free and equal international trade impossible.

(Mr. Kapllani, Albania)

7. Owing to the principle of self-reliance and the toil and sweat of the Albanian people, the economy of the country was developing according to plan, with steady growth free from such negative phenomena as crises, inflation, unemployment and the rising cost of living. The eighth five-year plan (1986-1990) would make it possible to continue to satisfy the growing needs of the population while considerably increasing the social product, national income and the total financial income, as well as exports, which would grow by more than 44 per cent.
8. Albania had always advocated the development of trade and economic co-operation with different countries, respecting the principles of equality and mutual benefit.
9. Mr. RAO (India) said that the system of international economic relations stemming from Bretton Woods was becoming unravelled as a result of new trends and the growing complexity and interdependence of the world economy. A new wave of technologies, under highly concentrated control, threatened to create new strains, and the transnational corporations were moving goods, raw materials, services, data and capital freely across national frontiers. There was a need for a collective assessment of the consequences of those changes and to establish true co-operation in order to reform international economic relations in accordance with the principles of equity, harmony and universality, respecting the sovereign right of States to choose their own priorities and economic policies and giving full recognition to the interdependence of monetary, financial, trade and development issues. The new international economic order was a beacon which should guide all efforts.
10. Against the dismal state of the world economy, the seventh session of the United Nations Conference on Trade and Development (UNCTAD) had been a limited success: although it had not satisfied all the aspirations of the developing countries, it had reaffirmed the validity and strengthened the mandate of that institution. The adoption by consensus of the Final Act of the seventh session of UNCTAD would help to arrest the retreat from multilateralism and, like the recently concluded International Conference on the Relationship between Disarmament and Development, portended a promising trend towards pragmatism, which should be encouraged in the coming years.
11. He emphasized the importance of the observations made by the representative of Guatemala on behalf of the Group of 77, and the ministerial declarations of that Group and of the Movement of Non-Aligned Countries.
12. One of the most serious problems of the international economy today was the debt, the underlying causes of which were, inter alia, increasing protectionist tendencies in the developed countries, high interest rates, falling commodity prices and misaligned exchange rates. In order to find an equitable and development-oriented solution, there was a need to begin on the basis of the consensus achieved in General Assembly resolution 41/202 and the Final Act of the seventh session of UNCTAD; it was also necessary for Governments and financial institutions to adopt a more responsive attitude, assume their responsibilities and agree to open a political dialogue.

(Mr. Rao, India)

13. The international financial system must also ensure a substantial increase in flows of resources for development. While the eighth replenishment of the International Development Association had been disappointing, the recent moves concerning the general capital increase of the World Bank and the proposal of the Managing Director of the International Monetary Fund to triple resources for the Structural Adjustment Facility were a cause for hope.

14. He reaffirmed the importance of the Integrated Programme for Commodities and trusted that the Common Fund would become operational before the end of 1987. There was a need to strengthen the multilateral trading system and to implement the commitment on the stand-still and roll-back of protectionist barriers.

15. The international community must accept the implications of interdependence and must defreeze and revitalize the North-South dialogue with the object of instituting structural reforms in the international economy.

16. On the approach to the final years of the Third United Nations Development Decade, it was imperative to re-establish the development consensus that had prevailed in the 1960s. That consensus, inspired by a true urge for co-operation, should lead to structural reform of the monetary, trading and payment systems. He called for the initiation of the preparatory process for the elaboration and adoption of an international development strategy for the Fourth United Nations Development Decade.

17. Mr. HORN (Hungary) said that the current international situation was contradictory in terms of Hungary's development. The positive shifts in international politics, particularly the Soviet-American dialogue, exerted a favourable effect on international relations, but the growing complexity of the world economic situation put Hungary to a hard test. Consequently, in developing its international economic relations, it sought to ensure that they expressed economic interests and were not based on political or ideological considerations.

18. The Hungarian Government considered that more intense participation in the world economy was a priority task, knowing that Hungary alone could not influence the international environment of its economic development; that could be done only in co-operation with other nations by recognizing and affirming common interests.

19. In view of its geographical situation and traditional relations, Hungary attached great significance to its relations with European countries, with which more than 80 per cent of its foreign trade was conducted. The gradual improvement of the political situation in Europe favoured the development of economic and scientific-technical relations with the countries of Western Europe, particularly those of the European Economic Community, and he hoped that, at the next Vienna meeting on co-operation in Europe, proposals would also be adopted concerning the economic field, in the implementation of which the Economic Commission for Europe would have an essential role.

20. In the current world economic situation, in which so many countries with diverse values and interests participated, instead of being directed towards a

(Mr. Horn, Hungary)

comprehensive regulation of economic co-operation, efforts should be focused on promoting the stability and reliability of relations in order to guarantee mutual interests. The strengthening of the security elements of such relations was a priority task. Accordingly, the Government of Hungary supported the concept of international economic security. It was inadmissible that some countries should solve their economic problems to the detriment of other countries through unilateral measures based exclusively on short-term interests, which gave rise to serious malfunctions, even in the regulated sectors of the world economy and, which, as in the past, might generate grave international conflicts.

21. On the basis of the principles contained in international documents and resolutions, the possibility existed for the elaboration of a general code of conduct in the world economy, with the participation of all world economic actors, both governmental and private. One example of that attitude was the recently published report of the World Commission on Environment and Development, chaired by Mrs. Gro Harlem Brundtland, Prime Minister of Norway, and entitled "Our Common Future"; and another was the sense of reality displayed by Governments at the Ministerial Conference of GATT in the autumn of 1986 and at the seventh session of UNCTAD.

22. It should be pointed out that the concept of international economic security was not intended to replace the principles of economic co-operation set forth in the Charter and in the highly important documents of the United Nations on the establishment of a new international economic order. On the contrary, that concept, which formed a part of the new comprehensive system of international peace and security, should be an instrument for a new approach to the world economy. Its object was to ensure that common interests motivated joint action through shared responsibility for the future of the world. The main direction of joint action should be determined by consensus. Compliance in good faith with existing international agreements and universal participation in international economic organizations might contribute to the establishment of international economic security.

23. At the first phase, it was essential to improve mutual information greatly and to devise a system of forecasting external risk factors that might affect economies. For example, the international financial institutions might provide assistance in making the economic world function more harmoniously and less hierarchically. The existing international financial system should be gradually expanded as a result of mutual accommodation and compromise, and it would therefore be advisable to make it possible for those countries which were currently not members of the International Monetary Fund or the World Bank to participate in some of their activities. It would also be practicable to hold periodic economic summit conferences to elaborate measures for the development of co-operation and the strengthening of mutual confidence. The establishment of a system of relatively stable exchange rates could not be achieved merely by money-market interventions but presupposed regular high-level consultations between the principal actors of the world economy. With regard to the external debt crisis, it was necessary to co-ordinate concepts and practical measures in order to ensure the collective

(Mr. Horn, Hungary)

responsibility of creditors and debtors alike and to devise modalities for mutual accommodation. Interregional conferences for businessmen should be held under the auspices of the various United Nations regional economic commissions, particularly for the purpose of removing obstacles to contacts. It would also be useful to establish special financial funds to promote the development of contacts between small and medium-sized enterprises by financing some of the related costs and ensuring mutual information. Another useful instrument would be an "early warning system" to forecast global adverse effects of disasters, whether environmental, natural, climatic, technological or man-made. Similarly, in view of the current pace of scientific, technical advancement, it seemed desirable to ensure common application of scientific results and to initiate joint research projects for the purpose of promoting the solution of the problems confronting mankind, in particular, the international dissemination of methods and technologies designed to prevent further deterioration of the natural environment. Equally important was an ongoing study of the manifold interrelationships between arms control, disarmament, economic development and international economic relations and an in-depth analysis of the political, military, economic, environmental and humanitarian aspects of security.

24. Mr. TRAORE (Burkina Faso) said that the period between the conclusion of the forty-first session of the General Assembly and the present had been characterized, as in the past, by the same uncertainties and anxieties. In spite of the many important international meetings and conferences, thousands of children, women and men throughout the world had fallen victim to malnutrition, hunger and disease. There had been an increase in the stifling burden of external debt and debt service for the developing countries and in the obstacles to trade in the developed countries, as well as the decline in real terms of commodity prices and the deterioration of terms of trade. During the same period, many developing countries had suffered the violation of the right of peoples to choose their social, economic and cultural system and the form of their development. Lastly, the industrialized countries, in particular, had stopped taking an interest in multilateralism and their irreplaceable role in the dialogue between States with different political, social and economic systems.

25. In actuality, the facts demonstrated that the solution of international economic problems did not lie in the unilateral prescription of, naturally, very bitter "medicines" for the developing countries. Undoubtedly, changes were needed in economic policies, but in the countries of the North as well as those of the South. The time had come for the developed countries to carry out adjustments, reforms and harmonizations of their policies at the macro-economic level. Those changes should include disarmament, for peace and development were closely interlinked concepts. Mankind must keep up with the pace of technical progress. Science should stop isolating the germs of death and become a liberator, i.e., base itself totally in the service of development and the cause of the peoples.

26. At the last session of the General Assembly, all delegations had insisted on the necessity of enhancing the administrative and the financial efficiency of the Organization. During the current year, the Second Committee had to consider the

(Mr. Traore, Burkina Faso)

same problems as in previous years. In fact, however, it was necessary to seek new approaches and new action-oriented methods in order to achieve concrete and tangible results. That was the only way to achieve true administrative and financial efficiency for the Organization. The more practical the action, the fewer would be the problems and the items included in the agenda and the less the Organization would expend.

27. The peoples of the third world, in their daily search for well-being, had struggled and were struggling against the hostility of nature and against the obstacles arising from the international situation, as was demonstrated by the construction of railways, highways, hospitals and schools and by intensive reafforestation.

28. At the last special session of the General Assembly on the critical economic situation in Africa, Africa had made a commitment, as had the international community, to the achievement of economic recovery and development. The African States had accepted tremendous sacrifices and now hoped to obtain the requested support from the international community.

29. Mr. CAPRIROLO (Bolivia) expressed his delegation's full support for the statement by the Chairman of the Group of 77 and said that the international economic situation was not very encouraging for the developing countries. Low pricing of commodities on the international market and the recrudescence of protectionist trends, the restriction of financial flows for development, the historically high international interest rates, persisted. With regard to Latin America, the crisis had been one of the most acute in recent years.

30. The slow recovery of the economies of the developed countries had not had positive results mainly because of the low level of primary commodity prices and high interest rates. The unfavourable international climate and the slow capacity to respond of the relatively less developed countries had been reflected in a reduction in the well-being of their societies. World economic prospects were characterized by a high degree of uncertainty because of the persistence of macro-economic imbalances in the developed market economies. It was expected that the growth rates of their economies would slow down. That state of affairs was due to the fact that the centrally planned economies were seeking in isolation to remedy the imbalances inherent in the logic of the system and in the changes which technological development produced in them and in the world economy as a whole. Such changes tended to cancel out the comparative advantages of the economies of the developing countries and lowered the demand for their products. At the same time, a new international division of labour was tending to emerge with an exclusive nature which reduced the options for participation.

31. In today's interdependent world, the lack of macro-economic discipline in the developed countries was disquieting, as was the search for concerted policies outside the multilateral framework, which did not take into account the impact of their implementation on other countries. It was imperative to renew the North-South dialogue on a permanent basis and to strengthen the supreme forum of

(Mr. Capriolo, Bolivia)

the United Nations in order to work out solutions based on the principles of co-existence and co-operation between nations, as laid down in the Plan and Programme of Action on the Establishment of a New International Economic Order.

32. There were no universal solutions for overcoming the crisis: the development strategies must be applied to match the structural characteristics and the needs of each country. At the moment, many of the efforts made to overcome the crisis had been impeded by unfavourable international economic conditions, which had resulted in a high social cost. It was therefore absolutely essential to achieve a more favourable international climate which would allow countries to go forward along the path of adjustment with growth.

33. The solution of the crisis depended not only on the efforts of the developing countries but also on the attitude and the responsibility of the developed countries. It was therefore disquieting to note the uncertainty of the present situation, the intensification of trade restrictions, the use of export subsidies and the rising trend of international interest rates, which made the recovery of the developing countries difficult and tended to offset the progress already made.

34. The development crisis had been particularly acute in Bolivia: the main economic and social indicators had fallen; macro-economic imbalances had increased; there was hyperinflation, a drastic fall in the GDP, in investment and savings coefficients, and so on. In 1985 the Constitutional Government of Bolivia had instituted the New Economic Policy with the dual aim, in a first phase, of remedying the imbalances and, in a second phase, of introducing structural changes which would modernize the productive apparatus and the export platform. Bolivia had succeeded in overcoming its monetary and fiscal imbalances and in introducing reforms which had modernized the institutions and machinery of State control. However, the process of economic recovery was being affected by the prices of its main export products, which at the moment continued to be low.

35. The successes achieved by Bolivia and other countries were constantly threatened by the prevailing external conditions, a fact which made the prospects of permanent recovery doubtful. It was necessary to generate conditions which would make it possible to create a climate of trust and to go forward by strengthening the system of multilateral trade. In that sense, the launching of a new round of GATT negotiations was a positive step.

36. With regard to the debt problem, he felt that periodic adjustments were palliatives which merely prolonged an intolerable situation. It was vital to reduce the burden of external debt-servicing through imaginative solutions which released resources essential for development. The amount of official development assistance must be increased. Any lasting solution must necessarily be linked with the creation of a climate which guaranteed sustained economic growth.

37. Co-operation between developing countries must deal with commercial, financial and technological problems. It was absolutely essential to eliminate the obstacles which impeded integration and economic complementarity between countries and



(Mr. Capriolo, Bolivia)

regions. Bolivia was a land-locked country, a situation which had been imposed on it by Chile since the Pacific war of 1879. For Bolivia, the lack of a sea coast was an additional factor which limited its development. It added to the cost of external trade an invisible amount, which was reckoned approximately at 35 per cent of total exports and imports, due to losses, delays and the improper handling of commercial shipments. At the moment, that cost became still higher as a result of free transit practices which were not always compatible with the concepts and terms of established treaties and agreements.

38. The United Nations was the ideal forum for dialogue between all States in order to go forward in the search for joint solutions to the crisis and to re-establish fairer and juster relations of interdependence, which would allow a better climate of international coexistence aimed at the establishment of a new international economic order.

39. Mr. SOKOLENKO (Ukrainian Soviet Socialist Republic) said that the forty-second session was being held at a time when the world was faced with the alternative of moving towards the abyss of a nuclear war or towards a non-violent and just new international order. The debates in the plenary showed that most countries had chosen to strengthen their security by beneficial mutual co-operation. That was a positive step, since an improvement in the world political climate would have favourable repercussions on economic development, on trade and on scientific and technical exchanges.

40. A recent joint statement by the States Parties to the Warsaw Treaty (A/42/354) analysed the means of overcoming economic development and establishing a new international economic order. The document stressed the need to achieve as soon as possible a gradual reduction in armaments as an essential first step in order to use the resources thus released to tackle the serious economic problems facing mankind. Along those lines, it was gratifying that the Soviet Union and the United States had reached an agreement in principle which, for the first time in history, would lead to a real reduction in nuclear arsenals.

41. The world economic situation was not encouraging. As stated in the World Economic Survey, the financial crisis, the high interest rates, the flight of capital, the brain drain and the inequalities between the prices of manufactures and of primary commodities had resulted in a state of injustice and economic instability which paralysed the long-term efforts of the developing countries.

42. The solution of the serious economic problems which had accumulated required a restructuring of international economic relations based on a realistic recognition of the diversity of interests and also of their mutual independence. That required a search for harmonious solutions which benefited all and avoided the path of confrontation. It was therefore necessary to adopt a new approach and a new philosophy which, on the basis of the positive experience of the past, would succeed in re-establishing a climate of confidence and mutual co-operation in international economic relations.

(Mr. Sokolenko, Ukrainian SSR)

43. The socialist countries, including the Ukrainian Soviet Socialist Republic, were following that line of action. Their proposals were aimed at achieving stability in the system of economic relations through the necessary restructuring, which would pave the way for an authentic climate of economic security. However, it would be impossible to create such a climate while whole regions of the world were teetering on the brink of hunger and death and millions of persons were weighed down by the intolerable burden of external debt. That situation had been brought out in a recent article entitled "Reality and safeguards for a secure world" published by Mr. Gorbachev, the General Secretary of the Communist Party of the Soviet Union. The various proposals put forward by the socialist countries and designed to achieve international economic security in no way conflicted with United Nations documents referring to the establishment of the new international economic order. Hence, his delegation felt that, with those proposals, progress was being made in achieving the fundamental aims of the United Nations in the economic field.

44. The main impediment to overcoming the developing countries current economic plight was the serious problem of those countries' external debt, which already exceeded \$1 billion. Another serious problem was posed by high interest rates and the financial and human resource crisis in developing countries caused by the direct transfer of those resources to creditor countries over many years. The cost of such transfers in 1986 could be reckoned at between \$20 billion and \$25 billion. The Group of 77 had proposed in that regard that an international conference should be convened to consider financial and monetary problems. A system of international economic security would also help solve those problems by putting an end to the prevailing arbitrariness in international trade relations in the form of embargoes, boycotts and trade blockades as well as protectionist measures and other types of trade restrictions that were often employed to exert political pressure. Such a system would also allow the international community to adopt measures against unacceptable activities such as those perpetrated by the racist Pretoria régime.

45. Two major events relating to United Nations development activities had taken place in 1987: the International Conference on the Relationship between Disarmament and Development and the seventh session of UNCTAD. In both cases, the debates had taken place in an atmosphere devoid of confrontation. The overwhelming majority of States acknowledged the importance of disarmament in freeing the resources needed for development; moreover, the consensus reached on the Final Act of the UNCTAD session gave reason to hope that the role of the United Nations in the field of international trade and development would be strengthened. The outcome of the fortieth session of the Economic Commission for Europe was equally significant.

46. Development issues were closely related to environmental issues; the increasing deterioration of the environment was a source of growing concern to the international community, as the debate on the various documents considered at the fourteenth session of the UNEP Governing Council had shown. The time had come to draw up an international strategy for environmental protection and the rational exploitation of resources.

(Mr. Sokolenko, Ukrainian SSR)

47. The current year marked the seventieth anniversary of the Great October Socialist Revolution and the establishment of Soviet power in what was now the Ukrainian Soviet Socialist Republic. The experience of those years had shown that any realistic development strategy implied an integrated and rational ordering of the economy that afforded protection from external pressures. That could be achieved only through the intensive development of the public sector and the application of modern and efficient planning methods. After many accomplishments to date, new needs had arisen which his country was prepared to meet by intensifying production and improving its quality and by forging new economic ties with the outside world and participating more fully in the international division of labour.

48. For many years, the Ukrainian SSR had helped the developing countries make economic progress primarily by strengthening their public sector as a key factor in autonomous development. His country also regularly supported the training of specialists from developing countries, either directly or through the United Nations or other international organizations.

49. In conclusion, he recalled that the Second Committee was the appropriate forum for considering international economic problems; he therefore hoped that all who took part in its discussions would use that opportunity to seek constructive solutions to those problems, a task in which his delegation would participate with complete dedication.

50. Mr. RAKOTONAIVO (Madagascar) expressed regret and indignation at the fact that the world economic crisis which had begun in the early 1980s persisted, as did the problems of development, some of which had grown worse, encountered by third world countries.

51. That crisis could be seen in numerous phenomena, such as chronically stagnating growth, the slow and tenuous recovery in some developed countries, the prolonged recession affecting most developing countries and the uncertainty and disequilibria which marked the contemporary world economic climate.

52. Both the Economic and Social Council and UNCTAD had considered those phenomena in depth, and there was no need to draw further attention to them. However, the persistent nature of those problems once again highlighted the inadequacies of the international system and the policies applied thus far to solve them.

53. For while external debt absorbed a growing percentage of export earnings, thereby reducing the volume of resources available to the developing countries for development, the stagnation in official development assistance, the reduction of resource flows towards developing countries and the reverse transfer of resources from those countries to developed countries placed the developing countries in a serious predicament.

54. Economic performance had been particularly lack-lustre in Africa, even though African countries had made enormous efforts at structural adjustment and recovery:

(Mr. Rakotonaiivo, Madagascar)

in 1986, overall growth had been 1.2 per cent, as compared with 3 per cent in 1985 and 2.8 per cent in 1984. Moreover, between 1985 and 1986, export earnings had fallen from \$64 billion to \$45 billion, and debt-servicing payments had increased from \$3 billion to \$14 billion. The external deficit, which had stood at \$4.2 billion in 1985, had risen to \$15 billion in 1986.

55. In other words, the international community had not responded positively to the appeals made through the United Nations Programme of Action for African Economic Recovery and Development 1986-1990. It was to be hoped that, during the current session of the General Assembly, the measures required to rectify that situation would be adopted.

56. It should also be noted that efforts to deal with the crisis were still inadequate, as was obvious from the proliferation of individual initiatives. Nor had the debate at the seventh session of UNCTAD, a forum in which current problems were approached from a global perspective, led to specific commitments with regard to those problems.

57. Nevertheless, it was interesting to note that a number of positive new ideas had emerged in recent years. There was a growing consensus regarding a "revitalization of growth and development". For such innovations to yield positive results, however, they must be based on a realistic assessment of interdependence, on an understanding of the seriousness and magnitude of existing problems and on a genuine commitment to meeting the challenges that arose.

58. In any event, the developing countries' ability to reach that goal would depend primarily on the industrialized countries' ability to create a world economic climate conducive to economic expansion. Furthermore, the economic revitalization of the developing countries was synonymous with: improved market access for their exports; the stabilization of commodity prices at higher levels; a reduction in interest rates; greater exchange-rate stability; equitable cost-sharing in adjustment efforts; massive transfers of resources to the developing countries; the adoption of emergency measures to solve the debt problem; and the introduction of structural reforms in the international monetary, financial and trading system.

59. In the coming weeks there would be ample opportunity to consider issues that had been the subject of agreement at the recent UNCTAD session. Everything would depend on the international community's ability to put the proposed measures into practice. For its part, his delegation welcomed the initiatives adopted in that connection by some industrialized countries and urged other such countries to follow their example.

60. As the United Nations was still the appropriate forum for co-ordinating efforts to achieve that end, he believed that its capacity for action must be strengthened, which is why he followed the current restructuring process with interest. That process must in no way impede the necessary democratization of the way in which the world economy was managed.

61. Mr. AL-MULLAH HUSSAN (Iraq) said that, in spite of the success achieved recently by some industrialized countries, the international economic crisis, which had been going on since the beginning of the decade, was still having a negative impact on the entire world.

62. In the developing countries, the crisis was causing an enormous number of economic, social and financial problems which grew worse every day and paralysed their development. That in turn prevented them from assuming their financial obligations in general.

63. One of the main characteristics of the crisis, and one whose negative effects were particularly harsh in the developing countries, was the unprecedented drop in the prices of those countries' commodities, and consequently in their income. That phenomenon, which had extremely detrimental effects on the developing countries, was the result of the protectionist measures taken by the developed countries to protect their own economic interests.

64. The situation was compounded by the reversed flows of resources and the crushing external debt burden, both of which factors also served to paralyse development in the third world. The external debt problem, which had very serious political and social dimensions, was the direct result of the unfair nature of the current international economic system. In other words, international economic relations and imbalances in the international monetary and financial system were aggravating the problem of the external debt.

65. The debt problem, therefore, was a political problem which must be solved with the participation of the debtor countries, the creditor countries, the international financial institutions and commercial banks.

66. Although his delegation recognized the developing countries' international obligations to their creditors, it feared that those obligations would exceed their economic capacity unless the international community found a rapid and equitable solution to the debt problem, and reiterated its view that there was a direct link between solving that problem and establishing a new international economic order.

67. His delegation reaffirmed the need to give high priority to the question of food in order to put an end to poverty, hunger, malnutrition and infant mortality. Food security in developing countries must be guaranteed, and that guarantee required the implementation of the relevant resolutions adopted by the United Nations and the promotion of international, regional and subregional co-operation in that field. In any event, his Government categorically condemned the use of food aid as a weapon of political pressure.

68. Turning to the question of science and technology, he reaffirmed the need to strengthen the scientific and technological capacity of the developing countries. That was essential if they were to make progress, and he expressed regret that the resolutions adopted by the United Nations Conference on Science and Technology for Development were not being implemented.

(Mr. Al-Mullah Hussan, Iraq)

69. As a member of the Group of 77, Iraq also attached great importance to economic co-operation among developing countries, which was another element of a new international economic order based on fairness and justice. In that regard, the Caracas programme of action must be the basic framework for the adoption of specific measures to promote co-operation among developing countries, and he again stressed the importance of such co-operation as a means for guaranteeing those countries' self-sufficiency and independence. Furthermore, the resolutions adopted by the United Nations to promote economic co-operation among developing countries must be implemented.

70. The establishment of a new international economic order in keeping with the interests of all peoples could be based only on the necessary political will to promote dialogue aimed at reforming the international economic system. In that connection, his delegation reaffirmed its view that UNCTAD, which must be strengthened as a negotiating mechanism in the field of trade and development, had an important role to play in the restructuring of international relations.

71. There was no doubt that international negotiations, the revitalization of international co-operation and the strengthening of multilateralism were essential in order to reorganize and promote a fair and stable development of the world economy which would put an end to the widening gap between the developing and the developed countries.

72. Mr. ALI (Democratic Yemen) said that, although the inflation rate and nominal interest rates had decreased in 1986, the world economic situation was still tense because of imbalances in trade and payments, the burden of debt servicing and lower commodity prices. The economic growth of most countries was still negligible, and there had been an increase in the reverse transfer of resources from developing to developed countries.

73. The growth rate of 2 per cent to 3 per cent forecast for the next few years was not enough to reactivate international trade, improve commodity prices and relieve the debt burden.

74. That discouraging situation cast doubt on the validity of the current development strategy, relying as it did on international good will to solve the unescapable problems confronting the world economy, which required the adoption of broad measures by all countries. It was pointless to continue discussing adjustment policies designed to lessen the severity of the crisis if that adjustment was not accompanied by a number of measures to liberalize international trade, ease the terms of financing, increase the volume of capital flows and seek fair solutions to the debt problem.

75. In addition to the necessary structural reforms in the developing countries, economic recovery meant resolving the most urgent aspects of the crisis through the necessary political will, restructuring international economic relations and giving further impetus to the international negotiations on monetary and financial questions.

(Mr. Ali, Democratic Yemen)

76. To that end, it was necessary, on the one hand, to implement the Charter of Economic Rights and Duties of States and establish the new international economic order and, on the other hand, to adopt practical and concrete measures to revitalize development at the world level. Those measures could include the formulation, in the developed countries, of macro-economic policies aimed at reducing interest rates, correcting exchange rates, reducing protectionist pressures, increasing trade and financial flows and reversing the trend towards lower commodity prices.

77. Furthermore, a world development strategy must be adopted in order to solve the debt problem on the basis of shared responsibility and taking into account the debt-servicing ability of the various countries and their development needs.

78. The deterioration of the international trade system must also be halted by applying more effective and non-discriminatory rules and strengthening the role of the General Agreement on Tariffs and Trade (GATT). In that connection, his country welcomed the new round of trade negotiations begun in Punta del Este (Uruguay) in 1986 and appreciated the efforts of Uruguay to improve international co-operation in the field of trade. Democratic Yemen welcomed the statement by the Soviet Union expressing its desire to establish stable relations with GATT and participate fully in the Uruguay round of multilateral trade negotiations.

79. Likewise, the generalized system of preferences should be improved and more favourable treatment should be given to products from the least developed countries by facilitating their free access to international markets and eliminating non-tariff measures detrimental to their exports.

80. The Integrated Programme for Commodities must also be implemented in order to improve the conditions for marketing the products of developing countries by setting stable and remunerative prices and putting into operation the Common Fund for Commodities.

81. It was also necessary to achieve the objective set with regard to the ODA level to be reached during the Third United Nations Development Decade and carry out the other measures set forth within the framework of the Substantial New Programme of Action for the 1980s for the Least Developed Countries and satisfy the urgent liquidity needs of the developing countries.

82. His delegation hoped that all those concerns would be reflected in the resolutions and decisions adopted by the Committee at the end of its work.

83. Mr. KASRAWI (Jordan) said that the Final Act adopted by consensus at the seventh session of UNCTAD, while not meeting the demands of all parties, was an encouraging sign, as was the progress made at the recent IMF/World Bank meeting with regard to augmenting the resources of those institutions. More had to be done in that direction to create a more supportive international environment for development and to tackle the problems of unemployment, debt servicing and maintaining living standards.

(Mr. Kasrawi, Jordan)

84. A number of salient features of the world economic situation were of particular relevance. First, although it had increased in 1986, the rate of growth in world output remained insufficient to permit unemployment problems to be dealt with in both the industrialized and in the developing countries. Second, the recent rise in growth rates in the developing countries did not necessarily mean an improvement in real per capita income, which, as was indicated in the annex to the statement of the Under-Secretary-General for International Economic and Social Affairs, would stagnate in Latin America and fall in Africa. In the net energy-exporting countries as well, a decline in real income was taking place which would adversely affect other countries, especially labour-exporting countries, whose problems had still to receive the attention they deserved. Despite the recent increase in some commodity prices, the terms of trade of the developing countries which, as the Director-General for Development and International Economic Co-operation had said in his statement, had experienced a loss of over \$US 90 billion over the past year. That deterioration, added to the cost of servicing the external debt, made it increasingly difficult for the developing countries to finance the volume of imports that they needed to maintain their economic development.

85. The conclusion was very clear: in order to reactivate growth, the developing countries needed more financial resources, which would enable them to bridge the gaps between the investment demand and national savings and imports and exports. As was stated in the Trade and Development Report, 1987, adjustment measures had mainly affected investment, as in many countries the structure of trade and production had prevented reduced consumption from being reflected in increased exports. In order to restimulate investment, which was the engine of growth, those countries needed to receive more external financial resources.

86. Africa's economic situation, especially in the low-income countries and the countries of the sub-Saharan region, remained a matter of serious concern. There was therefore a need for prompt implementation of the United Nations Programme of Action for African Economic Recovery and Development.

87. On the subject of the environment, he stressed the importance of the agreement on the ozone layer recently reached under the auspices of the United Nations. A distinction should be made in that sphere between problems of environmental conservation, such as protection of forests, the prevention of desertification and other related issues, and the problem of incorporating environmental considerations into production decisions, which, because it entailed increases in the costs of production, raised particular problems and urgently necessitated an international agreement.

88. He proclaimed his faith in the capacity of the machinery of the United Nations and the other existing international institutions to arrive at productive results through effective international co-operation.

89. Mr. KIILU (Kenya) said that the current state of the world economy showed that situation had remained largely the same over the past few years. Although the



(Mr. Kiilu, Kenya)

global economy had registered a modest expansion of 3 per cent in 1986, which was in any case lower than in 1985, there were still unstable factors and uncertainties which, if not redressed, threatened to perpetuate the present grim scenario, characterized by declining growth, mounting external debt, high real interest rates, fluctuations in exchange rates, high and rising levels of protection, and falling commodity prices. The latter had resulted in persistent structural imbalances between the developed and the developing countries. The gap between the rich North and the poor South continued to widen. At the same time, the world economy was becoming increasingly interdependent, partly because of the rapid advances in science and technology. In such a world, the fate of one nation or group of nations could not be separated from the others. Thus the existing economic system needed far-reaching reforms, including the restructuring of the international monetary, financial and trading systems. That objective called for co-operative efforts from all States within a strengthened multilateral framework.

90. Although the General Assembly could not solve all the world's problems at a single session, it could not afford to show itself helpless in the face of problems such as the deterioration of the international trading system, the collapse of commodity prices, the mounting external debt and the alarming reverse transfer of resources.

91. The developed countries should improve the international economic environment, so that they did not find themselves (as in recent years) deprived of a wide market for their goods, services and capital because the development process was at a standstill.

92. It was generally agreed that the outcome of the seventh session of UNCTAD had been a turning point in the process of the North-South dialogue. The adoption of the Final Act by consensus bore testimony to the political will and determination of the international community seriously to approach the current economic malaise. The Final Act embodied a number of policy approaches and measures for revitalizing development, growth and international trade through international co-operation for development. The Second Committee, too, had a leading role to play in shaping the modalities geared to putting into effect the conclusions agreed on at UNCTAD.

93. Four years had passed since the emergence of the debt crisis, yet a solution remained elusive. The question arose, therefore, whether the existing international financial and monetary system was appropriate for dealing with the problem. The fact that the debt burden had worsened, particularly in parts of Latin America and in most African countries, was a clear indication that the strategy adopted so far had not worked. Not only did it place the onus of adjustment action unfairly on debtor countries, but it also failed to guarantee an adequate supply of resources from either commercial banks or multilateral lending institutions. At a time when the indebted developing countries were in dire need of resources to back up their adjustment measures, there had been a net outflow of resources from them to donor countries and institutions as a result of net financial transfers and losses in terms of trade which, according to available statistics, had amounted to \$US 24 million and \$US 94 billion, respectively, in

(Mr. Kiilu, Kenya)

1986 alone. Coupled with declining financial flows from all sources, that situation had seriously affected capital accumulation and thus prevented growth-oriented adjustment.

94. Any action taken on debt should not only take account of the stabilization and structural reform measures adopted by developing countries to mobilize and retain domestic savings, but also guarantee the timely availability of adequate financing to support those reforms. Creditor countries should also create an international environment conducive to growth in the developing countries and endeavour to stabilize their exchange and interest rates in order to keep their markets open to goods exported by indebted countries.

95. Africa had undoubtedly been the continent hardest hit by the world economic crisis and the situation had been compounded by drought and desertification, with the consequent threat of widespread famine for millions of Africans. In the past year, the African Governments had devoted considerable effort to adopting bold and painful adjustment policies. ODA resources had not been forthcoming, however, even when the Governments in question had honoured all their commitments under the Programme of Action for African Economic Recovery and Development. New investments had not been forthcoming either and there had been a net transfer of resources from the African countries to their developed partners. Again, very few creditor countries had as yet converted part of the official debt of sub-Saharan Africa into grants or announced a moratorium on debt payments.

96. Kenya shared fully the concern of the United Nations Secretary-General at the failure of the international community to provide adequate support, particularly in terms of financial flows, for the adjustment measures undertaken by the African Governments. His delegation joined in the appeal to the international community to play its rightful role in assisting Africa, among other things, by substantially increasing ODA and other aid for capital development and by establishing remunerative commodity prices.

97. The CHAIRMAN said that the Angolan delegation had asked to be included on the list of speakers for the general debate, after the list had been closed. In view of the time available and the number of speakers on the list, however, if there were no objections, he would include the Angolan delegation.

98. It was so decided.

99. Mr. MAQUIEIRA (Chile), speaking in exercise of the right of reply, said that although Bolivia had no coastline, it was not at all land-locked. On the contrary, it had a perpetual right of free transit through Chilean territory and use of the ports of Arica and Antofagasta. At Arica, it had the use of six berths, 3,000 square metres of covered storage space and 6,000 square metres of open space, and at Antofagasta it had the use of six berths, 3,000 square metres of covered storage space and 52,000 square metres of open space. In addition, Chile had built and entirely financed a railway used specifically to transport goods from Bolivia to the Pacific coast. The annual transport capacity of that railway was 180,000 tons, of which Bolivia had used only 70,000 tons in 1986, which meant, in effect,

(Mr. Maquieira, Chile)

that Chile was subsidizing Bolivia's foreign trade. Chile had also paved the Arica-La Paz highway up to the border between the two countries, at a cost of \$US 100 million. There were also joint commissions between the two countries to discuss all transit-related issues and at no time had Bolivia made in those commissions the allegations it had just made in the Second Committee. That there were no problems in that area was borne out by the fact that Bolivia had not seen the need to ratify the 1965 New York Convention on Transit Trade of Land-Locked States.

The meeting rose at 5.45 p.m.