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SUMMARY RECORD OF THE FIFTH MEETING

Chairman: Mr. OUDOVENKO (Ukrainian Socialist Republic)

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The meeting was called to order at 3.05 p.m.

GENERAL DEBATE (continued)

1. Mr. MONTES (Guatemala), speaking on behalf of the Group of 77, said that the critical international economic situation had brought in its wake the deterioration of the development process in the countries of the Group of 77. Those countries had to face persistently high real interest rates, a fall in commodity prices, a reverse transfer of resources, growing protectionism in the developed countries and the worsening of the external debt crisis.

2. The debt crisis had a particular impact on developing countries, which had made considerable adjustment efforts in response to the requirements of the international financial institutions and the commercial banks. However, those efforts had resulted in serious political, economic and social tensions as well as higher unemployment and recession. Furthermore, the crisis persisted. Therefore, it was clear that the strategy applied thus far had been ineffective, underlining the need to promote a political dialogue between debtors and creditors on the basis of shared responsibility. Such a dialogue should be based on General Assembly resolution 41/202 and should lead to a comprehensive, equitable solution focused on development. Concurrently, the creditor countries and institutions should substantially reduce the growing debt and its servicing, renegotiate the conditions of the debt and enable developing countries to be granted discounts in the secondary markets. Moreover, it was necessary to promote the recycling of the trade surpluses of the developed countries, increase resource flows to the developing countries and open up international markets to the developing countries' exports through the elimination of protectionist barriers in the developed countries. Lastly, there should be a direct and equitable relationship between debt payments and the factors determining the capacity of debtor countries to pay, including import earnings, terms of exchange and import requirements.

3. The implementation of those guidelines was of paramount importance. In fact, as the Ministers for Foreign Affairs of the Group of 77 had recently pointed out, for want of a joint strategy involving all the parties concerned, the debtor countries would be obliged to suspend debt servicing. Moreover, the debt problem had brought out the inequities of the international monetary and financial system. Hence, an international conference should be convened to analyse the direct relationship between monetary resources, finance, the external debt and capital flows.

4. The search for solutions focused on the development of the developing countries should also be based on the achievements made at the seventh session of the United Nations Conference on Trade and Development (UNCTAD), which were a common denominator for attaining international understanding on the basis of shared responsibility. For their part, the developing countries were aware of their obligations to improve the social and material welfare of their peoples and were promoting a series of measures to that end. They had recognized the need to strengthen policies aiming to maximize the use of internal resources; they were convinced of the necessity to establish favourable conditions for attracting external resources and for making more effective use of them; and they recognized

(Mr. Montes, Guatemala)

the pressing need to promote economic co-operation between the developing countries as a means of achieving collective self-sufficiency and development in accordance with the Caracas Programme of Action and the Buenos Aires Plan of Action. However, it must be reiterated that the economic and technical co-operation programmes undertaken by the developing countries should serve as a complement which would strengthen international co-operation, and not as a substitute for it.

5. Without prejudice to the foregoing, and given the interdependence of the contemporary world, it was essential for all countries to adopt economic measures which would promote development through the redress of imbalances and the multilateral surveillance of economic policies. For their part, the developed countries should help to strengthen the production capacity of the developing countries; open up their markets to exports from those countries; undertake structural adjustments; increase the public and private resource flows to the developing countries and intensify their economic assistance programmes.

6. The world economic crisis had had particularly severe implications for island and land-locked developing countries and, in general, for the least developed countries. Consequently, the Member States should give higher priority to the implementation of the Substantial New Programme of Action for the 1980s in favour of the least developed countries, as well as the recommendations referring to the review of that Programme. In that regard, the need to increase the flow of financial resources for development had particular importance.

7. With regard to environmental protection, which was another fundamental aspect of international coexistence, he recalled that the problems affecting the environment were global in nature. Consequently, when tackling those problems, the extent to which those countries helped to spread them, as well as their capacity to contribute to their solution should be taken into account. It was necessary to increase the multilateral assistance which developing countries received to promote environmental protection programmes. The developing countries thus viewed with concern the trend in some international financial institutions to make the provision of financial resources subject to environmental considerations, because environmental protection could only be based on the solution to the problems of poverty, debt, international inequality and development.

8. The Group of 77 reiterated its determination fully to implement the Vienna Programme of Action on Science and Technology for Development, and expressed its support for the activities of the Centre for Science and Technology for Development and of the Advisory Committee on the Application of Science and Technology to Development. Whatever administrative change or amendment of the procedures for presenting reports might be introduced in the United Nations system, they should not affect the autonomy of the Centre or its capacity to carry out its mandate.

9. Lastly, the establishment of a new international economic order based on equality and justice required a concerted effort on the part of the international community. The Group of 77 repeated its faith in multilateralism and in the United Nations system as the appropriate forum to search for solutions to international economic problems.

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10. Mr. BADAWI (Egypt) said that he would not refer to the causes of the current international economic crisis. They were described in detail in the reports of various institutions and had been thoroughly analysed by the United Nations Conference on Trade and Development and the Economic and Social Council. His delegation understood that the General Assembly should make optimum use of the time available if it endeavoured to perform the policy-guidance role entrusted to it under the Charter. In addition, the General Assembly should give new impetus to the progress which had already been achieved in those forums. He would thus focus his statement on two subjects, the external debt crisis and the critical economic situation in Africa.

11. One of the most devastating problems for both developing and developed countries was that of external indebtedness. It had been discussed, either separately or as one of the interrelated issues of money, finance and trade and their impact on growth and development. Moreover, the General Assembly, in its resolution 41/202, had adopted guidelines for a global and durable solution to the debt problem which would promote development. The Second Committee must maintain the momentum and should therefore define specific approaches and measures conducive to a prompt, viable and durable solution to the problem.

12. Despite strenuous efforts by developing countries at policy reforms, usually with high social and political costs, they had not been able to harmonize adjustment with growth. The cause had been unfavourable international conditions, characterized by high interest rates, negative resource flows, lack of access to credit from commercial banks and depressed commodity prices. As a result, an increasing number of developing countries were finding it difficult to maintain their debt-service payments.

13. A viable strategy for resolving the debt problem must be based on the following elements: debtor countries must respect the obligations they had contracted voluntarily; the task of solving the debt problem was the responsibility of both debtors and creditors; any arrangements for debt-servicing payments should take fully into consideration the requirements of growth and development as well as social and political stability and peace in the debtor developing countries; the debt problem should be addressed on the basis of an integrated approach without prejudice to the efforts of developing countries to reach agreement with their creditors on alleviating the debt burden; there was a need to write down the official and concessional debt of a number of low-income countries; debt rescheduling should be approached on the basis of innovative mechanisms and concepts; it was essential to increase substantially the flow of resources to developing countries.

14. The constructive dialogue in the United Nations should continue and all parties must demonstrate the necessary political will together with awareness that a rigid and unenlightened position would be detrimental to all members of the international community.

15. The critical economic situation in Africa persisted and, indeed, was deteriorating further. The adoption by the General Assembly of the Programme of Action for African Economic Recovery and Development had created great hopes but,

(Mr. Badawi, Egypt)

although many African Governments had complied with their commitments and had adopted far-reaching and politically costly measures for structural adjustment, those hopes had been dashed by the lack of external financial resources. As both H.E. Mr. Kenneth Kaunda, President of Zambia and current Chairman of OAU, and the Secretary-General of the United Nations had pointed out, the international community had not lived up to its commitment to provide financial support for the adjustment efforts of African countries.

16. The assistance of the international community in terms of a substantial increase in official development assistance, remunerative commodity prices and the adoption of more effective measures to provide substantial debt relief remained crucial to the economic recovery and development efforts of the African countries. It was to be hoped that the discussion of the item in the General Assembly would lead to renewed support for the Programme of Action from the international community.

17. Mr. DJOUDI (Algeria) reminded the Committee that the world economic situation continued to be characterized by serious structural disequilibrium, by a multiform crisis and multiplier effects which, with no prospect of solution in sight, had spread beyond the purely economic field and threatened international peace and security.

18. The historical limits to the rules and mechanisms which regulated the current system of international economic relations had become manifest. It had been alleged that the precarious economic recovery which had taken place in recent years in certain developed countries would have favourable repercussions in the developing countries, but it had done no more than transfer the centres of recession to the developing countries, through international trade and financial mechanisms, thus aggravating the economic situation of the latter and deepening the economic, social and technological abyss which separated them from the rest of the world.

19. That result was foreseeable, since recovery had not been based on objective economic realities but on the negation of the basic interests of the great majority of mankind. The macro-economic policies which the great industrial Powers had implemented without the necessary co-ordination had made it possible to brake inflation but only to the detriment of growth and employment and at the cost of painful sacrifices by the developing countries. Deflationary measures, the discriminatory distortion of the rules of international trade, the substantial drop in commodity prices and the huge reverse transfer of resources had aggravated the economic prospects of the developing countries.

20. Faced by an international economic environment in constant decline over which they had no influence whatever, the developing countries had been obliged to renounce their legitimate aspirations for development and to adopt austerity measures which, in a context of diminishing export earnings and external financing, accompanied by increased debt service, had led to substantial reductions in productive and social investment. The general reduction of imports threatened to stifle the precarious productive infrastructure. Moreover, the so-called

(Mr. Djoudi, Algeria)

adjustment policies imposed on the developing countries had led to the collapse of monetary and commercial mechanisms regarded as indispensable for the protection of the infant productive capacity of the developing countries. Such adjustment policies, accompanied by serious social and political costs, represented a long-term danger not only to the capacity of the developing countries to satisfy their essential needs but also to the fulfilment of their international financial obligations.

21. The current international consensus on the need for adjustment "with a human face" and for a development-oriented global strategy to solve the debt crisis had not been translated into firm measures and the ill-fated policies of the past continued to prevail. In addition, the international dialogue was deadlocked so that there were scanty prospects for the restructuring of international economic relations consistent with the new international economic order.

22. The United Nations could not be more than what its Member States wished and administrative reforms would be useless without the reform of the political attitudes which had hindered the harmonious achievement of the objectives of the Organization.

23. Mr. ALZAMORA (Peru) said that the Second Committee was meeting at a time when development problems were worsening, a solution was being delayed and the international co-operation which was needed for a solution was disintegrating. As a result of discriminatory trade, the unjust distribution of international liquidity and rules of the game which were always unfavourable to them, the majority of the Member States of the United Nations found it impossible to exercise their right to development and sovereignty as free and independent peoples. The right to development was more than the right to perform specified mercantile operations: it entailed the right to live with dignity, without threats and in freedom.

24. It was the duty of States to perform their ineluctable role of defending the interests of their peoples in order to establish just societies and attain the objectives of national development, which were being threatened by an international structure of domination and exploitation affecting both the public and private sectors.

25. The fundamental problem continued to stem from the structural injustice of North-South relations and the international economic system which sustained it. The clearest expression of that imbalance was the increase in indebtedness, which aggravated the already inadmissible net transfer of resources from poor to rich countries. In 1980, Latin America's debt had been \$250 billion; currently, despite having paid the North \$150 billion, the debt had grown to \$400 billion. Peoples were becoming increasingly aware of the injustice of that situation and Governments had to act accordingly if they did not wish to lose their political stability, compromise the authority of civil power or jeopardize the democratic system and national security. An increasing number of third world Governments were making their own decisions. In Latin America alone, seven countries had already announced a total or partial moratorium on debt repayment.

(Mr. Alzamora, Peru)

26. The three major debtor countries of Latin America were going to act jointly in the future and the 11 countries of the "Cartagena consensus", the principal Latin American debtors, had reactivated that plan for joint action. A similar mobilization of efforts was taking place in all regions. Mr. Kaunda, in his statement in the General Assembly as President of the Organization of African Unity on 6 October 1987, had emphasized the urgent need to stem the serious drain of resources experienced by the countries of the South and channel them towards development for survival, the realistic solution of the debt problem and the stability and balance of the world economy.

27. Unfortunately, the creditors continued to lack vision and foresight. The ideas outlined in the recent meeting of the World Bank and the International Monetary Fund (IMF) were variations on the same old theme: lend more to debtors because they could not pay their debts; the result was an even higher debt they could not hope to pay. According to the Executive Secretary of the Economic Commission for Latin America and the Caribbean, the amount of net transfers outside the region in the past five years equalled that of the real resources received in the past 20 years.

28. He was convinced that the solution of the problem was not to increase the debt but to reduce it to its legitimate, real proportions, before it became distorted by unilateral increases in the interest, self-interested refinancing, protectionism and the deterioration of trade relations. To decide if that readjustment was to be made by the banks or the creditor Governments, the "case-by-case" criteria could certainly be applied, whereas, for the debtor countries, the criterion of bilateralism concealed the intention to bring pressure upon them not to constitute a "debtor's club" and had served only to provoke an increasing number of unilateral actions as a legitimate defence.

29. It was increasingly necessary for the debtor developing countries to form an "interregional contact group" which would prepare the inevitable, urgent negotiations between debtors and creditors in order to establish a more just and constructive situation in North-South economic relations.

30. The special conference on the debt problem to be held in December 1987 by the African Heads of State and the concurrent meeting of the Heads of State of the eight most heavily indebted Latin American countries would provide the debtors with fresh opportunities for co-ordination and orientation and proposals for understanding and co-operation between debtors and creditors. The same could be said of the current session of the Committee, to which the delegation of Peru offered its most constructive support.

31. Mr. LUCAS (Guyana) said that, although several countries had experienced economic improvements despite the unsatisfactory state of the world economy, many others, particularly in the developing world, continued to find it difficult to cope with the problems of development - because of their depressed revenues and their heavy international financial commitments - and their economic prospects were negative. They could not emulate the few countries which had been successful because their actions were repeatedly hampered by negative developments in the

(Mr. Lucas, Guyana)

world economy: for example, as the Under-Secretary-General for Development and International Economic and Social Affairs had pointed out in his statement, the modest expansion of trade forecast for the next few years, attributable to the decline in domestic demand in the industrial countries.

32. Trade problems extended to the intensely debated issue of greater access for the exports of developing countries to the markets of the developed economies. The application of the rules of trade was motivated more by self-interest than by an appreciation of the role that buoyant trade could play in rejuvenating the global economy. In the current situation, there was an ever-increasing danger of a resurgence of protectionism.

33. Obvious breaches in commitment to standstill and rollback of prices were being reinforced by the imposition of protectionist measures against imports from developing countries. That practice was gaining in intensity just when the negotiations of the Uruguay Round as a way of injecting greater stability and fairness into the international trading system were inspiring a measure of optimism. It had been pointed out that the number of measures adopted by Governments to circumvent the rules of the General Agreement on Tariffs and Trade (GATT) had increased from 93 in the six months prior to the Punta del Este meeting to 116 in the six months that followed. Despite the hopes aroused by the Uruguay Round, the need to dismantle protectionist barriers and restore confidence in the international trading system should not be overlooked.

34. The fragility of the global economic recovery was also evident in the commodity market. Although the prices of some commodities had recovered, bringing with them much-needed revenues to poor countries, prices for most of them remained weak or showed a marked tendency to fluctuate. Under those conditions, many developing countries found themselves struggling to meet their domestic and international obligations. However, the positive outcome of the recent session of UNCTAD marked a revival of international co-operation in that area.

35. As a direct consequence of the gloomy conditions of commodity markets, access to official financing continued to be a key factor if developing countries hoped to avoid a further decline in revenues. Immediate action was essential to forestall a further deterioration of the economies of the third world and make structural adjustments a viable mechanism for restoring sustained growth. At the same time, the effectiveness of the compensatory financing facility of the IMF had to be improved. An inflow of funds to expand its capacity would be necessary, but it was highly probable that the recovery efforts of developing countries would be further stimulated if drawing limits reflected more closely the medium-term financial needs and repurchase prospects of individual borrowers.

36. The financial needs of that category of developing countries called to mind other issues of finance affecting all third world countries: for example, the alarming levels reached in the transfer of resources from developing to developed countries and the decline in both concessional and non-concessional lending by the international financial institutions. To reverse those negative tendencies, the financial resources available to developing countries must be increased. Another

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very positive measure would be the review of adjustment programmes by the Fund, as pointed out by the Director General. It was to be hoped that the differing conditions between countries would be taken into account. Where unforeseeable factors gave rise to adverse growth trends, resources should be made available to support growth programmes. In addition, flexibility should be applied to quantitative targets and longer periods allowed for demand adjustment policies to take effect.

37. The exercise should take place in a forum that permitted the full and equal participation of the developing countries, such as the International Conference on Money and Finance proposed by the Group of 77. At all events, the reforms would have to be extensive if the International Monetary Fund and the World Bank were to contribute to a new financial and monetary system that was more supportive of the efforts of the developing countries.

38. No consideration of the global economic panorama could conclude without reference to the seemingly intractable problem of debt. As would be remembered, in 1986 the General Assembly had held a separate debate on that item. That action, questioned at first, had eventually transformed differences on the issue into a consensus for action. That decision, embodied in resolution 41/202, had been embraced by all Member States and had been viewed as a positive outcome. It had been made quite clear that the task of resolving the problem was a matter for all concerned and could not be pursued successfully unless the exports of developing countries gained wider access to the markets of industrialized countries and the prices of commodities improved.

39. Not all those conditions had been satisfied, and it was therefore necessary to maintain the constructive attitude and co-operative spirit that had emerged from recent international meetings where the issue had been discussed, which was further exemplified in the growing interest in adopting Committee decisions by consensus.

40. Mr. SIDDIKY (Bangladesh) said that, despite the hopes for social progress and freedom set forth in the United Nations Charter, only a few years away from the next millennium, humanity was still contending with seemingly insurmountable obstacles in attaining those goals. Poverty and deprivation persisted and were even tolerated despite a century of impressive growth in production and productivity and unprecedented technological advancement. The prospects of growth, gainful employment and equitable development remained uncertain. The squandering of resources for socially unproductive purposes continued. The ecological balance and, in the final analysis, the quality of human life was being eroded by excessive and reckless consumption while there was so much deprivation caused by poverty.

41. World economic performance over the past year had made no appreciable change in that situation. The world economy continued to exhibit severe imbalances and dislocations: according to the International Monetary Fund's Annual Report for 1987, the year had been characterized by slow growth in the industrial countries, a continued decline in commodity prices - vital to the developing countries - an intensification of external imbalances and protectionist pressure and a further deterioration in the external financial situation of many developing countries.

(Mr. Siddiky, Bangladesh)

The rate of growth of world output in 1986, for instance, had been weaker than expected. The performance of the industrial countries had been disappointing, since real output had declined. Employment in those countries had improved marginally. There had been a widening of current account imbalances, particularly among three of the largest industrial countries. All these developments had been accompanied by threats of protectionism and the risk of financial market unrest, which could have serious implications for the prospects of the world economy.

42. In the 1980s the developing countries had witnessed the most severe setback to the development process of the post-war era. In that period, the rate of growth of a large number of developing countries had been negative or marginal. Acute debt problems, falling commodity prices, trade imbalances, high interest rates and volatility in the rates of exchange had shattered the economies of those countries and severely damaged their development prospects. The annual average rate of growth of GDP for developing countries during the first half of the decade had fallen to about 1 per cent from the figure of more than 5 per cent during the preceding five-year period. There had also been a decline in GDP per capita in most of those countries. The number of countries with a growth rate of GDP at or below their population growth rate had increased sharply during the decade. That had affected capital accumulation and growth prospects in those countries and their standard of living. Spending in the social sectors (including health, education, child welfare and family planning) had been a casualty of the extreme adjustment measures that the developing countries had been forced to undertake. UNICEF studies revealed disturbing increases in child mortality and deterioration in nutrition and schooling in many of those countries. Other United Nations studies in the field of food and agriculture yielded a melancholy spectacle of a growing incidence of hunger and malnutrition.

43. During the 1980s, the developing countries had confronted an increasingly inhospitable external economic environment. Over the past few years, they had been caught in an unprecedented debt crisis. Indeed, few scourges in contemporary experience had claimed so many victims as the external debt situation of those countries. For many of them it had been a major cause of reversal of the development process. Official development assistance had stagnated in real terms. Despite widespread policy reforms, there had been no private foreign investment. Bank lending from developed countries had either decelerated or fallen sharply. Real interest rates remained excessive.

44. The trading position of a vast majority of the developing countries had become increasingly unfavourable in recent years. The rise of the "new protectionism" in the developed countries had thwarted the much-needed expansion of developing country exports. Widespread recourse to diversified types of trade restrictions had given rise to semi-permanent patterns of sectoral protection, exacerbated by falling commodity prices. Prices in real terms of commodities, which produced two thirds of developing country export earnings, had dropped to their lowest level since the depression of the 1930s. In 1986, the real earnings of the developing countries from commodity exports had been one fifth lower than in 1980. For the first time since the colonial era, the developing countries had become net suppliers of resources to the developed industrialized countries.

(Mr. Siddiky, Bangladesh)

45. Since the adoption of the Substantial New Programme of Action for the 1980s for the Least Developed Countries, the number of those countries had increased by one quarter. The average annual rate of GDP growth for the least developed countries in the first half of the decade had been a mere 2 per cent, which in per capita real terms was the equivalent of a negative growth rate. Their average food and agricultural production had declined sharply and exports had been reduced by one tenth, while official development assistance flows had stagnated and the commitment of the donor countries to double such flows by 1985 was still largely unfulfilled. Aid from multilateral agencies had also declined in 1985 and non-concessional financial flows, which had increased by an average of more than 100 per cent every year during the previous decade, recorded a steady fall in the 1980s. Those difficulties had been compounded by an unbearable debt burden which at the end of 1985 had risen to \$39 billion, an increase of 13 per cent over previous years.

46. The fast deteriorating external economic environment had compelled a large number of developing countries, including almost half the least developed countries, to undertake adjustment measures. Those measures had resulted in a fall in investment in the social sectors, an experience which demonstrated that the most vulnerable segments of society must be protected against the adverse consequences of those measures. Adjustment must have a human face, it must be growth-oriented and capable of injecting a long-term vitality into the economy of the country concerned and of the world as a whole.

47. A major multilateral response to the ailing world economy had been the seventh session of the United Nations Conference on Trade and Development (UNCTAD), which had been marked by a positive political atmosphere opening the way for further negotiations on various issues of importance. The Final Act of that Conference could give impetus to the process of multilateral co-operation for development, if the hopes of the Secretary-General of the Conference that its vast potential could be translated into concrete actions were fulfilled.

48. The recently concluded joint annual meeting of the World Bank and the International Monetary Fund had indicated promising new directions for ameliorating some of the difficulties faced by the developing countries. The situation was so desperate as to require their urgent implementation, with the United Nations and the international financial institutions playing a mutually supporting role and relevant complementary measures being taken in such areas as debt and trade.

49. His delegation hoped that those recent positive developments would contribute to a constructive dialogue in the Second Committee.

50. Mr. PEJIC (Yugoslavia) said his delegation endorsed the statement made by the representative of Guatemala and Chairman of the Group of 77. All the competent national and international institutions had indicated that the world economic situation was deteriorating, with serious consequences for the developing countries, especially the least developed countries of Africa and above all those in the sub-Saharan region. In 1986 the growth of the world economy had slowed for the second consecutive year. According to the World Economic Survey, the growth of

(Mr. Pejic, Yugoslavia)

production had dropped from 4.5 per cent in 1984 to 3.4 per cent in 1985 and to 3 per cent in 1986. For most developing countries, however, 1986 had been a year of decline rather than growth, as was correctly pointed out in the report of the Committee for Development Planning.

51. The situation in other areas was no less precarious. The external financial situation of most developing countries had assumed critical proportions, characterized by huge imbalances in trade and international payments, while protectionist pressures and action were mounting and differences over trade policies had assumed political significance. Those developments had had an especially adverse effect on the developing countries, jeopardizing social and political stability in many of them. That could not but affect stability and security in the world as a whole. It had long been obvious that the reasons for that situation were to be found in the existing system of international economic relations and the inability to find, within its confines, solutions to the problems besetting mankind. The global and interdependent nature of the problems and their solutions doomed to failure any isolated or unilateral attempt to deal with them.

52. In spite of the indications of readiness to proceed in a positive direction which had appeared at the seventh session of UNCTAD, no significant progress had been made towards solving the serious problems afflicting the present-day world. Therefore, the current session of the United Nations General Assembly should be used to make further progress in the common quest for solutions to outstanding problems, before those problems became further aggravated and more difficult to resolve and their consequences more serious. The general debate at the current session of the General Assembly, and at the recently concluded annual meeting of the International Monetary Fund and the World Bank, had shown there was general agreement that the situation of many developing countries was desperate. The question was why that was so and in whose interest it was to leave those problems unresolved. The developing countries had always maintained that it was only through constructive dialogue and negotiations that new prospects could be opened for the solution of international economic problems for the benefit of all. That position had been reaffirmed once again in the Declaration adopted at the most recent Ministerial Meeting of the Group of 77.

53. The external debt of developing countries, amounting to more than \$US 1,100 billion had become unbearable and a solution to the problem could no longer be postponed. All the indicators of the problem were dismal: in addition to the 10 per cent increase in the debt in the past year, the net outflow of resources from the developing to developed countries had increased by an additional \$US 24 billion, and the trend was likely to continue in the next several years. In the past year, as the year before, official development assistance had again decreased, while at the same time outlays for debt servicing continued to increase, totalling more than \$US 150 billion in 1986. According to the annual report of the International Monetary Fund for 1987, the burden of external debt had worsened markedly, with the ratio of debt demands to export earnings rising by 12 per cent and reaching 42 per cent for the nations which had recently experienced debt-servicing problems. That had resulted in economic stagnation, social upheavals and political instability, which hampered global economic recovery and

(Mr. Pejić, Yugoslavia)

threatened the overall system of international economic and financial relations. In such conditions, the number of debtor countries unable to meet their financial obligations had increased.

54. The current approach to the debt crisis was not commensurate with the magnitude and gravity of the problem, nor did it provide for the economic growth and development of debtor countries. Despite the enormous efforts of the developing countries to adjust their economies, two basic prerequisites - a favourable international environment and increased external financing - had failed to materialize. That failure had greatly reduced the possibilities for further adjustments.

55. In view of the global proportions of the debt problem and its continued worsening, it was indispensable to initiate a dialogue between debtor and creditor countries in which the United Nations could not remain on the sidelines. That had been recognized in 1986 when the General Assembly had adopted resolution 41/202. It was therefore necessary, inter alia, to take measures to provide for the reduction of interest rates, long-term restructuring with a longer grace period, conversion of the debt of the least developed countries into grants, greater access to the markets of the developed countries for goods from developing countries and linking debt servicing to a percentage of the export earnings of those countries. It would also be necessary to ensure a substantial increase in the flow of resources to developing countries and to recycle balance-of-payment surpluses of developed countries.

56. Closely linked to the problem of debt was that of international trade, the decline of which in 1986 had not been reversed. According to authoritative data, the export earnings of the developing countries had fallen by 3.3 per cent in United States dollars, while imports of developing countries in the same period had fallen by 0.1 per cent, indicating a long downward trend that had left nominal import values 9.4 per cent below their 1982 level. The net result had been a considerable increase in the combined trade deficit of the developing countries during 1986, amounting to \$US 21.7 billion, or more than triple the deficit of 1985. To complete the picture, data from the World Economic Survey show that the developing countries had lost \$US 94 billion as a result of changes in the terms of trade.

57. In those circumstances, with a further increase in protectionism in developed countries, contrary to the commitments undertaken at Punta del Este, and without greater access for developing countries in world trade, on more favourable conditions, those countries could not further their development or meet their international financial obligations.

58. Science and technology played an increasingly important role in development. But if conditions were not changed to promote wider access to science and technology, they would bypass developing countries, with far-reaching consequences for the world at large. It was therefore necessary to strengthen international co-operation and the role of the United Nations and of the relevant organizations and to speed up the completion of a code of conduct for the transfer of technology.

(Mr. Pejic, Yugoslavia)

59. The protection of the environment was becoming a focus of growing international concern. Environmental pollution affected everyone in different ways but its common denominator was a widespread degradation of the quality of life. For developing countries as well the protection of the environment was important and should therefore be included in the framework of international co-operation. In that context, his delegation had been favourably impressed by the report of the World Commission on Environment and Development. However, the environment should not become a limiting factor for development, its protection could not and should not be achieved through the redistribution of existing development resources but through an increase in such resources.

60. His delegation hoped that better international understanding would help overcome the current economic and financial crisis. That would be in the common interest of developed and developing countries alike as well as in the interest of world-wide social progress.

The meeting rose at 4.55 p.m.